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PACIFIC GAS AND ELECTRIC COMPANY

S851 TRANSFER OF NON-NUCLEAR GENERATION PORTFOLIO AND SALE OF MINORITY INTEREST

PREPARED TESTIMONY

(PUBLIC VERSION)

PACIFIC GAS AND ELECTRIC COMPANY
S851 TRANSFER OF NON-NUCLEAR GENERATION PORTFOLIO AND
SALE OF MINORITY INTEREST
PREPARED TESTIMONY

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PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 1

POLICY

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 1
POLICY

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 1
POLICY

A. Introduction

This chapter introduces Pacific Gas and Electric Company's (PG&E) proposal to undertake a corporate transaction involving the sale of a minority interest in its non-nuclear generation assets through the creation of a new, rate-regulated generation subsidiary of PG&E, which is currently named Pacific Generation LLC (Pacific Generation).[1] In short, with approval from the California Public Utilities Commission (CPUC or Commission), PG&E proposes to transfer substantially all of its non-nuclear generation assets, including hydroelectric, natural gas, and solar generation facilities, and the Elkhorn battery energy storage system, to Pacific Generation. The combined generation capacity of these assets is approximately 5.6 gigawatts, with a 2023 weighted average forecasted rate base of approximately $3.5 billion, equal to about 7 percent of PG&E's total rate base. Pacific Generation would operate as a utility under the Commission's jurisdiction and continue to dedicate its output to public service; PG&E would continue to operate and maintain the assets, as well as dispatch and schedule the generation output as part of its integrated resource portfolio. PG&E would sell a minority interest in Pacific Generation to one or more investors. Collectively, these steps are referred to as the Proposed Transaction.

This chapter explains PG&E's rationale for pursuing the Proposed Transaction, outlines its terms and procedural steps, summarizes some of the authorizations and findings PG&E and Pacific Generation(the Applicants) are requesting from the Commission to facilitate the Proposed Transaction, and provides an overview of the remaining chapters of the Applicants' prepared testimony.

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[1] For this and the remaining chapters of testimony, capitalized terms not defined within the chapter have the meaning ascribed in the application or elsewhere in the testimony.

B. Rationale for the Proposed Transaction

PG&E believes that the Proposed Transaction represents the best path forward for it to raise capital while balancing a variety of important objectives. These include: (1) meeting PG&E's near term capital needs, including substantial safety and reliability investments in the coming years; (2) supporting the overall deleveraging plans of PG&E and PG&E Corporation consistent with Decision (D.) 20-05-053; (3) avoiding the dilutive effect of a PG&E Corporation common stock issuance and its associated impact on the Fire Victim Trust; and (4) retaining the economic and operational benefits of PG&E's generation assets for customers while continuing to provide safe, reliable, and affordable service.

PG&E has significant capital needs in the coming years. As discussed in PG&E's 2023 General Rate Case (Application (A.) 21-06-021) and elsewhere, PG&E plans to substantially increase its capital expenditures to improve the safety and reliability of its system and to help achieve the state's decarbonization and electrification goals in the face of increasing challenges posed by climate change. PG&E's projected capital expenditures have increased by $2-$3 billion over the last few years, and PG&E stated in its most recent earnings call that it expects to fund between $40 and $53 billion in essential energy infrastructure investments from 2022 to 2026.[2] PG&E's capital expenditure program requires substantial amounts of new equity contributions to fund these future rate base investments. The Proposed Transaction is an efficient source of equity capital. In the near term, the initial equity sale will yield capital for PG&E. Over time, the Proposed Transaction is expected to result in additional equity investments in Pacific Generation by one or more third-party investors purchasing a minority equity stake in Pacific Generation (Minority Investor(s)), which would serve as an additional source of capital to help meet future equity needs of the generation business. While the Minority Investor(s) would not be obligated to invest additional equity, we expect that they would be interested in doing so. In addition, the Minority Investor(s) will be incentivized to participate in additional capital contributions by provisions in Pacific Generation's limited liability company agreement that would dilute the ownership percentage

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[2] See PG&E Corporation 2022 Second Quarter Earnings (July 28, 2022), p. 21, available at https://www.sec.gov/Archives/edgar/data/0001004980/000100498022000111/q222earningspresentation.htm.

of Pacific Generation members that do not contribute additional capital when the Pacific Generation Board of Managers (the Board) approves a capital call. While PG&E would invest additional capital in Pacific Generation in connection with future capital calls, the amount of PG&E's pro rata contribution would be less than the amount of capital PG&E would need to invest if it continued as the sole owner of the contributed generation assets.

As PG&E developed its Plan of Reorganization (the Plan) and charted a path to meeting its financial obligations while achieving an investment-grade issuer credit rating, PG&E concluded that it was important to pursue all options for raising capital, including issuing debt at the parent holding company and utility levels, issuing new stock, suspending dividends, monetizing net operating losses, and selling assets. Pursuant to the Plan, PG&E Corporation issued a historically large amount of stock and debt and agreed to suspend PG&E Corporation's common stock dividend until certain financial metrics were achieved. See D.20-05-053 at 82. After it emerged from bankruptcy, PG&E also sought, and was granted, CPUC approval for a rate-neutral securitization transaction to monetize its net operating losses and to retire non-traditional utility debt. See D.21-04-030; D.21-05-015. PG&E has also engaged in asset transactions, such as the sale of its General Office building in downtown San Francisco. See D.21-08-027.

After pursuing all of these strategies to support PG&E's emergence and post-emergence recovery, the remaining options available to PG&E to raise new equity to fund its capital expenditure program have narrowed. PG&E Corporation's debt burden affects its credit metrics, and paying down holding company debt is an important element of the overall deleveraging plans for the enterprise and for returning to investment-grade issuer credit ratings. Moreover, in order to attract traditional utility investors, it is important for PG&E Corporation to resume the payment of regular common stock dividends, consistent with D.20-05-053 and the commitments made by PG&E Corporation in the Plan. Following PG&E's rate-neutral securitization transaction approved in D.21-04-030,[3] there do not appear to be further opportunities to monetize net operating losses. Thus, of the options previously identified for PG&E to raise

[3] See Chapter 8 for a further discussion of the rate-neutral securitization transaction.

capital, the only two that are realistically available are for PG&E Corporation to issue stock or for PG&E to sell assets.

The Proposed Transaction, however, represents a third alternative to raise equity. Rather than sell assets outright, PG&E would contribute assets to a subsidiary and sell a minority ownership stake in that subsidiary, thereby retaining the economic benefits of the assets for customers. PG&E also would retain control over those assets and their operations, as PG&E would continue to operate and maintain them and to schedule and dispatch them as part of its overall energy supply portfolio. Thus, while the Proposed Transaction changes the ownership structure of PG&E's non-nuclear generation assets, it would not affect how they are operated and maintained, the dispatch and scheduling of the output, or the governing cost-of-service ratemaking structure.

PG&E has concluded that, under current market conditions, the Proposed Transaction would be a less costly, more efficient, and ultimately more advantageous way to raise equity capital for PG&E as compared to the sale of PG&E Corporation common stock. Based on precedent transactions and advice from Barclays Capital Inc. (Barclays), PG&E's financial advisor, we understand that investors, particularly those seeking exposure to infrastructure assets, are willing to pay a premium for minority investments in utilities.

PG&E and Barclays anticipate that the Minority Investor(s) in Pacific Generation would be entities that seek a regulated revenue stream, such as pension funds, infrastructure funds, or sovereign wealth funds. These types of investors would not be interested in, or capable of, operating Pacific Generation's assets or controlling its management or day-to-day operations.

In contrast to the relative efficiency of the Proposed Transaction, due to the current market price of PG&E Corporation common stock, issuing more shares would substantially dilute the value of existing shares. This would cause particular harm to the Fire Victim Trust. As of June 21, 2022, the Fire Victim Trust owned approximately 377 million of the 478 million shares of PG&E Corporation common stock initially allocated to the Fire Victim Trust in the Plan.[4] In light of current market conditions, PG&E views the Proposed Transaction as a

[4] See https://www.firevictimtrust.com/Docs/Letter_from_the_Trustee_6-21-22.pdf.

significant opportunity to efficiently raise needed equity in a manner that is supportive of the Fire Victim Trust.

Given these strategic objectives motivating the Proposed Transaction, it is important to note the role of the timing of the transaction. PG&E's goal is to close the Proposed Transaction by the end of 2023. Meeting this timing goal is critical in order to generate the proceeds PG&E needs to meet its capital expenditure program in 2024. In addition, consummating a Pacific Generation long-term debt transaction by the end of 2023 could enable PG&E to manage near-term debt maturities. A later closing date would compel PG&E to take other actions with potentially negative consequences (or far less support) for PG&E's overall financial health and the interests of customers and other stakeholders. Thus, timing is an essential element of the rationale and efficiency of the Proposed Transaction.

C. Mechanics of the Proposed Transaction

In order to effectuate the Proposed Transaction, PG&E has taken or intends to take the following steps:

1) PG&E has formed a new limited liability company under Delaware law. The name of the entity is Pacific Generation LLC. Pacific Generation currently is a wholly-owned subsidiary of PG&E.
2) With the approvals requested from the CPUC in this proceeding, PG&E would transfer substantially all of its non-nuclear generation assets to Pacific Generation. These assets are described in Chapter 2, as is the form of Separation Agreement between PG&E and Pacific Generation that will govern the terms of such transfer. With this asset transfer and a Certificate of Public Convenience and Necessity (CPCN) from the Commission, along with other regulatory authorizations, Pacific Generation would be able to operate as a certificated public utility whose retail rates are regulated by the CPUC, as explained further in Chapter 3. Following the closing of the Proposed Transaction, PG&E, through various inter-company agreements (as described in Chapter 4), as well as its control of the Board (as detailed in Chapter 5), would maintain day-to-day operational and managerial control of Pacific Generation. PG&E employees would continue to operate and maintain Pacific Generation's assets under inter-company services agreements providing for operations and maintenance and related support

services. PG&E also would continue to dispatch and schedule generation output from Pacific Generation's assets as part of an integrated resource portfolio using the same least-cost dispatch approach as at present.

4) Following the transfer of assets to Pacific Generation, and prior to PG&E's sale of equity in Pacific Generation to one or more Minority Investor(s) (as described below and in Chapter 5), PG&E would contribute 1 percent of the equity in Pacific Generation to a new wholly-owned subsidiary of PG&E to be formed for the purpose of holding the Pacific Generation equity. Having this new entity hold Pacific Generation equity prior to any sales of Pacific Generation equity to third-party investors enables such sales to be treated as the sale of a partnership interest for tax purposes, which has certain tax consequences as discussed further in Chapter 8.

5) Through the proposed marketing and sale process described in Chapter 5, the Minority Investor(s) would agree to purchase up to 49.9 percent of the equity in Pacific Generation from PG&E. A majority of the Board would be appointed by PG&E, and PG&E would control the Board through the ability of its Managers collectively to vote PG&E's majority percentage of the outstanding Pacific Generation Interests. As described further in Chapter 5, the Minority Sale Agreement to be executed with the Minority Investor(s) will identify a limited set of governance and information rights of the Minority Investor(s), including certain actions that the Minority Investor(s) will have the right to approve. These rights are designed to protect the Minority Investor(s)' investment, without granting the Minority Investor(s) any actual or potential managerial or operational control of Pacific Generation. As part of the Proposed Transaction, Pacific Generation also will have long-term debt consistent with a regulated capital structure of 52 percent equity and 48 percent debt. Pacific Generation's initial long-term debt transaction and the proceeds from the sale of equity to the Minority Investor(s) would support PG&E's capital expenditure program and enable PG&E to retire existing debt that is funding rate base and scheduled to mature and/or forbear from issuing new debt that would otherwise be needed to finance PG&E's rate base.

As explained further in the Application and Chapter 5, PG&E contemplates a phased sale process similar to that used in connection with California utilities'

divestiture of natural gas-fired power plants in the 1990s and to PG&E's sale of its headquarters building. The first phase is a formal proceeding leading up to a CPUC decision in July 2023 approving the transfer of assets to Pacific Generation, issuing a CPCN, and granting financing authority for Pacific Generation's long-term debt and the additional relief described in PG&E's Application and supporting testimony. Around early September 2023, after executing the Minority Sale Agreement with the winning bidder(s), PG&E would file a Tier 2 Advice Letter (AL) to implement the transaction in time for final Commission approval by the end of 2023. The AL would identify the Minority Investor(s), submit definitive transaction documents, and provide Pacific Generation's initial revenue requirement and PG&E's updated revenue requirement.[5]

To facilitate this timing, as described more fully in Chapter 5, PG&E intends to solicit Phase I bids in early 2023 and to select Phase II bidders in March 2023. In Phase II, potential investors will perform more detailed diligence and submit final offers. Final transaction documents will be the subject of negotiation between PG&E and potential investors. This bidding process is designed to enhance PG&E's negotiating position, maximize value by increasing competitive tension among a group of potential investors, and meet the important timing considerations outlined herein.

Due to the considerable bidder resources required for participation in Phase II, the process will not be successful unless bidders have confidence that the CPUC is likely to approve the establishment of Pacific Generation as a regulated utility and the Proposed Transaction. It is therefore not feasible for PG&E to identify and sign with the winning bidder(s) before the Commission's regulatory approval process begins. Thus, PG&E is following the model used by the CPUC in the natural gas-plant divestiture proceedings, in which the CPUC approved the transactions before the winning bidders were selected, followed by a streamlined post-signing review process.

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5 Chapter 9 addresses the manner in which Pacific Generation's revenue requirement would be established, which is consistent with PG&E's request in its 2023 GRC (A.21-06-021).

D. Requested Approvals and Findings

The Proposed Transaction will require a number of approvals and authorizations, including from the CPUC. Among the most salient of these approvals, as explained in more detail in the remaining chapters of the prepared testimony and in the Application, are the following:

- Approval under Public Utilities Code (Pub. Util. Code) Section 851[6] to transfer substantially all of PG&E's non-nuclear generation assets to Pacific Generation. Consistent with Section 851, the Proposed Transaction should be approved because it is not adverse to the public interest. The primary rationale for the transaction is described above—to meet PG&E's need for equity capital while balancing a number of other important objectives—and the Proposed Transaction would not have any adverse impact on PG&E or its customers. Indeed, the Proposed Transaction is expected to benefit customers. Specifically, and as explained further in Chapter 8, PG&E anticipates that the Proposed Transaction would accelerate PG&E's use of its net operating losses. This in turn would accelerate payment of the Additional Shareholder Contributions to the Customer Credit Trust, which ultimately redounds to the benefit of the Customer Credit Trust and PG&E's customers.
- Issuance of a CPCN for Pacific Generation to operate as a utility subject to the Commission's jurisdiction; specifically, Pacific Generation would be certificated as an "electrical corporation" owning "electric plant" (i.e., property owned to facilitate generation of electricity).
- Findings that the transaction will not affect system reliability and is consistent with Pub. Util. Code Section 362, as the assets will continue to be dedicated to the public and operated by PG&E in the same manner as today.
- Approval under Chapter 4, Articles 5 and 6 of Pub. Util. Code (Sections 816-830 and 851) for Pacific Generation to issue long-term and short-term debt secured by Pacific Generation property. The specific financing authorizations Pacific Generation requests are described in more detail in Chapter 6 and in the Application.

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6 All statutory references are to the Pub. Util. Code unless otherwise noted.

In addition to the approvals sought from the CPUC in this proceeding, the Proposed Transaction will be subject to a variety of additional regulatory and other approvals. These include, but are not limited to, Federal Energy Regulatory Commission approval of: (1) the transfer of hydropower licenses to Pacific Generation, (2) certain agreements between PG&E and Pacific Generation, and (3) the sale of the Minority Equity Interests to the Minority Investor(s). In addition, the transaction may be subject to approval by the Committee on Foreign Investment in the United States for PG&E to sell a minority interest in Pacific Generation, if applicable to any foreign Minority Investor(s).

E. Overview of PG&E's Testimony

The remainder of PG&E's opening testimony consists of the following chapters sponsored by the indicated witnesses:

- Chapter 2 – Description of Property and Assets to be Transferred and Liabilities to be Assumed (Mike Schonherr);
- Chapter 3 – Description of Pacific Generation (Stephanie Maggard);
- Chapter 4 – Pacific Generation's Future Relationship with PG&E (Andy Williams);
- Chapter 5 – Transaction and Sale Process, Minority Governance, and Distributions (John Plaster; Sienna Rogers);
- Chapter 6 – Pacific Generation's Financial Condition (John Plaster; Margaret Becker);
- Chapter 7 – Impact of the Transaction on PG&E and Rates (John Plaster; Margaret Becker);
- Chapter 8 – Tax (Elizabeth Min);
- Chapter 9 – Ratemaking, Rates and Scheduling (Stephanie Maggard; Divya Raman; Erica Brown);
- Chapter 10 – Pacific Generation's Rates, Tariffs, and Memorandum and Balancing Accounts (Ben Kolnowski; Stephanie Maggard); and
- Chapter 11 – Compliance Obligations of Pacific Generation (Deanna Toy; Mike Schonherr).

F. Conclusion

The Proposed Transaction represents a strategic opportunity for PG&E and its customers. It is the best path forward for PG&E to raise necessary capital to support important investments while balancing other important objectives and the interests of stakeholders. PG&E endeavors to take advantage of this opportunity during the critical window in which it makes sense economically and is feasible. To that end, PG&E requests that the Commission review and approve the Proposed Transaction and issue the necessary findings and authorizations to facilitate its execution.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 2

DESCRIPTION OF PROPERTY AND ASSETS TO BE TRANSFERRED AND LIABILITIES TO BE ASSUMED

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 2
DESCRIPTION OF PROPERTY AND ASSETS TO BE TRANSFERRED AND LIABILITIES TO BE ASSUMED

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 2
DESCRIPTION OF PROPERTY AND ASSETS TO BE TRANSFERRED AND LIABILITIES TO BE ASSUMED

A. Introduction

This testimony describes the non-nuclear generation assets that Pacific Gas and Electric Company (PG&E) would transfer to Pacific Generation as part of the Proposed Transaction, in addition to the form of agreement that PG&E proposes to utilize in effectuating the transfer (the Separation Agreement). This information supports PG&E's request for the California Public Utilities Commission (CPUC or Commission) to authorize the transfer, pursuant to Public Utilities Code Section 851.

Following a brief overview of PG&E's approach to separation of the non-nuclear generation assets, this chapter describes the form of Separation Agreement, which sets forth the proposed terms and conditions of the asset transfer from PG&E to Pacific Generation, the associated assumption of liabilities by Pacific Generation, and indemnification matters. The testimony also describes in general terms the assets that would be transferred, including the generation facilities and types of equipment at the generation facilities, the real property interests and rights that would be transferred, and the associated operational permits and orders.

This testimony is based on the information and data PG&E has compiled to date, which is necessarily incomplete, as the Proposed Transaction will transfer the generation assets at the time of the closing. As the transfer process moves forward, additional information and data relating to the relevant generation assets proposed to be transferred will continue to be collected and refined and the forms of conveyance agreements will be finalized.

1. The Transfer of Generation Assets From PG&E to Pacific Generation and Sale of the Minority Equity Interests in Pacific Generation Generally Follows the Model Used for the Natural Gas-Fired Power Plant Sales

The separation of generation assets from transmission and distribution assets finds precedent in the late-1990s divestiture of natural gas (NG)-fired

power plants by the major California investor-owned utilities (IOU). In preparation for the restructuring of the electric industry, the Commission concluded in 1996 that PG&E, Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (the IOUs) should:

> …voluntarily divest themselves through a spinoff or outright sale to a nonaffiliated entity sufficient fossil generating capacity to mitigate market power.[1]

The IOUs complied by selling NG-fired power plants to third parties in a series of auctions over the next several years.[2]

While the NG plant sales were accomplished via a structured auction process, rather than a direct asset transfer to a utility subsidiary as proposed here, the preparation required to execute those transactions provides a helpful template for many of the steps necessary to effectuate the current separation. For example, to accomplish the late 1990s divestitures, the IOUs had to separate their NG-fired generation assets from other assets that they retained, such as electric transmission assets. This involved a detailed study of switchyards and other shared assets and facilities. In addition, the IOUs had to allocate potential future liabilities associated with the divested generation assets. PG&E's proposed direct transfer of assets to Pacific Generation (and Pacific Generation's related assumption of liabilities) builds on this successful historical experience.

As more fully discussed in Chapter 5, the proposed regulatory approval process and the process for marketing and selling the minority ownership interest in Pacific Generation also parallels the approaches successfully pursued in the NG-fired power plant divestitures.[3] Specifically, the Commission approved the process for the sale of the NG-fired plants before the IOUs initiated the bidding process, followed by a streamlined

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1 D.96-01-009 (*Proposed Policies Governing Restructuring*), 166 P.U.R. 4th 1, 163.

2 D.97-09-046, 75 CPUC 2d 340 (interim decision authorizing PG&E's auction for initial sales); D.98-07-092, 81 CPUC 2d 347 (interim decision authorizing PG&E's auction for second round of sales); D.97-09-049, 75 CPUC 2d 461 (interim decision authorizing SCE's sales); D.98-10-055, 82 CPUC 2d 451 (interim decision authorizing SDG&E's sales).

3 As mentioned, unlike the NG-fired divestitures, PG&E will not conduct a formal structured auction process, which the Commission preferred at that time as a means of establishing market valuation, but which is not customary or necessary today.

post-auction process to approve the results. PG&E proposes a similar process here, which we believe will facilitate a successful sale of the Minority Equity Interests while preserving the opportunity for the Commission and stakeholders to review all relevant aspects of this transaction.

B. Separation Agreement

PG&E has prepared a form of Separation Agreement for use in connection with the transfer of its non-nuclear generation assets to Pacific Generation. This testimony addresses the fundamental structure and terms of the Separation Agreement and provides a more detailed explanation and analysis of key provisions. It does not address every term of the Separation Agreement or of the schedules and exhibits to be attached to it. This testimony is qualified in its entirety by reference to the Form of Separation Agreement that is attached to this chapter as Attachment A.

1. Form of Separation Agreement

PG&E and Pacific Generation propose to enter into the Separation Agreement, which will set forth the governing terms and conditions for the contribution to Pacific Generation of all of PG&E's right, title, and interest in substantially all of its non-nuclear generation assets, including those currently in PG&E's generation rate base and those recorded as Construction Work-in-Progress (CWIP), and the assumption by Pacific Generation of certain liabilities arising from or related to the conveyed assets or the generation business.

In particular, the Separation Agreement will address the conveyance of real property interests that are included in generation rate base, generation-related equipment, infrastructure, and other personal property, CWIP associated with the generation facilities, books and records associated with the generation facilities, certain other rights (including water rights) associated with the generation facilities, the assignment of contracts and leases, and the transfer of licenses and permits. Pacific Generation will also receive rights and interests with respect to PG&E common plant—such as Information Technology functions—that are consistent with Pacific Generation obtaining the benefits of PG&E's common plant in connection

with PG&E's operation, maintenance, scheduling, and dispatch of Pacific Generation's generation assets. PG&E will retain certain excluded assets situated on the real property transferred to Pacific Generation, including electric transmission and distribution-related equipment and related facilities, gas transmission (GT) and distribution facilities, and certain personal property.[4] PG&E will also retain real property rights necessary for the operation and maintenance of the retained assets. Pacific Generation will be granted real property rights over such retained assets necessary for the operation and maintenance of the generation-related assets conveyed to Pacific Generation. The Separation Agreement will also specify the liabilities to be assumed by Pacific Generation and those that will be retained by PG&E (discussed further in Part B.2, below), and provide for indemnification of certain losses between the two utilities.

The Separation Agreement will contain various other terms typical of an asset transfer transaction, including representations and warranties by PG&E and Pacific Generation, certain obligations of PG&E and Pacific Generation following the closing of the Proposed Transaction (which will be in addition to other obligations that are set forth in the various intercompany agreements between PG&E and Pacific Generation, as further detailed in Chapter 4), the assignment to and assumption by Pacific Generation of certain contracts, agreements governing the closing and the delivery and recordation of conveyance documents and instruments, terms and procedures for indemnification between PG&E and Pacific Generation, PG&E and Pacific Generation's post-closing obligations regarding environmental matters, and other actions necessary to consummate the Proposed Transaction.

A series of schedules providing a variety of facility-specific information will be referenced in and attached to the Separation Agreement. These schedules will include descriptions of real property interests; certain tangible personal property; permits, licenses, and rights to be transferred to Pacific Generation; water rights; project records; material contracts to be assigned

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[4] PG&E will also retain two small generation facilities currently under contract for sale. See Footnote 7 below.

to and assumed by Pacific Generation; and certain excluded assets or liabilities. The Separation Agreement will include as exhibits forms of certain of the conveyance documents necessary to transfer legal title to the generation assets, such as bills of sale, grant deeds, assignment and assumption agreements, and the like.

The Separation Agreement will also include as exhibits the key post-closing intercompany agreements that will govern the operational and managerial relationship between PG&E and Pacific Generation on a going-forward basis, including in regard to operations and maintenance, scheduling and dispatch, interconnection, corporate and shared services, fuel procurement, and billing services (the Intercompany Agreements). The Intercompany Agreements are described in more detail in Chapter 4. The various schedules and exhibits referenced in and attached to the Separation Agreement will be compiled and completed by PG&E and Pacific Generation in the course of finalizing the conveyance and submitted to the Commission in a Tier 2 advice letter prior to closing.

2. Liabilities and Indemnification

The Separation Agreement will specify certain obligations and liabilities related to the generation assets that will transfer to and be assumed by Pacific Generation at closing, including as follows:

- All of PG&E's obligations under the Federal Energy Regulatory Commission (FERC) project licenses, and under all other contracts, licenses, and permits assigned to Pacific Generation with respect to any period after the closing date;
- All taxes and other similar obligations relating to the transferred generation assets that accrue after closing;
- All environmental obligations and liabilities related to the transferred generation assets (for cleanup, containment, remediation, removal, mitigation, response or restoration, etc.) that are unknown at the time of closing, including obligations and liabilities arising from conditions in existence prior to closing;[5]

[5] The rate mechanism for recovery of these costs is addressed in Chapter 10.

- All decommissioning liabilities and all other liabilities relating to closure, shutdown, decommissioning, monitoring, or investigation of any transferred generation asset, with respect to any period after the closing date; and
- Actual or alleged failure of any transferred generation asset to have complied with any applicable law or regulation following the closing, to the extent unrelated to an environmental liability retained by PG&E.

PG&E will retain specified remediation obligations related to the transferred generation assets, and will indemnify Pacific Generation for such retained environmental obligations and liabilities. In addition, PG&E will retain liabilities relating to the nuclear generation assets, certain generation assets that will not be transferred to Pacific Generation and assets divested by PG&E prior to closing, other excluded assets, and pre-closing taxes. PG&E will also retain certain employee-related liabilities, as the employees supporting PG&E's generation business will not be transferred to Pacific Generation. Following the closing, PG&E will directly charge and/or allocate to Pacific Generation certain costs related to the provision of services to Pacific Generation for its generation business, pursuant to the Intercompany Agreements.

PG&E will make representations and warranties to Pacific Generation regarding the generation business and the generation assets on the closing date of the Separation Agreement and will indemnify Pacific Generation for any losses arising from or related to breaches of these representations and warranties or from breaches of the covenants contained in the Separation Agreement. Indemnification by PG&E will be subject to recovery under applicable insurance policies and reasonably expected rate recovery. The Separation Agreement will specify indemnification procedures.

PG&E will also have the opportunity to cure any breach of the Separation Agreement. For example, if Pacific Generation has a claim for improper or inadequate conveyance of or transfer of title to a generation asset, Pacific Generation's initial remedy will be to require PG&E to properly transfer such asset or to provide a replacement asset or access to such asset sufficient for the operation of the generation facilities. If the harm to Pacific Generation cannot be cured through such PG&E action, or if after

giving effect to such PG&E action Pacific Generation has nevertheless incurred a loss, Pacific Generation may then seek indemnification for the loss from PG&E in accordance with the indemnification procedures set forth in the Separation Agreement.

C. Generation Assets to Be Transferred

PG&E will transfer all of its right, title, and interest in and to substantially all of its non-nuclear generation assets, including its non-nuclear generation assets in generation rate base and those recorded as CWIP, with the exception of the assets identified in footnote 7, below. Such transfer will include the necessary reservations of legal rights for PG&E's continued operation and maintenance of retained facilities on transferred land, along with agreements to ensure continued safe and reliable operation of such retained facilities. Pacific Generation will be granted real property rights over these retained assets necessary for the operation and maintenance of the generation-related assets conveyed to Pacific Generation.

This testimony provides a general description of the assets to be transferred to Pacific Generation at the closing. This includes a description of the generation facilities and related material equipment, a description of the real property interests associated with the facilities, and a description of the material operational licenses and permits applicable to each category of facilities.

The descriptions below are based on the information and data PG&E has compiled to date. In light of the ongoing nature of PG&E's work in connection with the Proposed Transaction and the anticipated marketing and bidding process, additional information and data relating to the generation assets will continue to be collected and refined.

1. Facilities and Equipment

PG&E is proposing to transfer substantially all of its non-nuclear generation assets to Pacific Generation, which have a forecasted 2023

weighted average rate base[6] of approximately $3.5 billion. This includes PG&E's hydroelectric, NG, and solar facilities, and its battery energy storage systems.[7] A summary of the generation facilities to be transferred from PG&E to Pacific Generation is provided below, arranged by energy source:

a. Hydroelectric

PG&E's hydroelectric generation fleet is a unique set of facilities built between 1900 and 1986, consisting of 62 powerhouses located on watersheds in the Sierra Nevada, Cascade, and Coastal mountain ranges. The system operates under 21 FERC licenses, which govern the operation of 59 of the powerhouses.[8] PG&E's hydroelectric generation portfolio has an aggregate operating capacity of 3,848 megawatts (MW) and produces an average of roughly 10 terawatt hours of energy in a normal precipitation year. [redacted]

In addition to the powerhouses, PG&E's hydroelectric system encompasses approximately 97 reservoirs, 72 diversions within natural waterways, 167 dams, over 400 miles of water conveyance systems (canals, flumes, penstocks, siphons, tunnels, low-head pipes, and natural waterways), and various roads and bridges. Supporting infrastructure and facilities include the interconnection equipment that

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6 Rate base is defined as net plant, plus working capital, less accumulated depreciation and related deferred taxes. Rate base is nearly equivalent to book value, but also includes working capital and intangible plant (e.g., fees paid to government entities for privileges and costs associated with intangible property rights). Rate base amounts shown are consistent with PG&E's 2023 General Rate Case February 28, 2022, Update filing.

7 PG&E's two small solar facilities located on Harrison Street and Folsom Street in the city of San Francisco will be retained by PG&E and not included in the transfer to Pacific Generation. Also excluded from the transfer are two small hydroelectric powerhouses which are in the process of being sold to third parties as of this filing—the Deer Creek powerhouse in the Drum Area and the Tule River powerhouse in the Kings-Crane Valley area. The Commission has approved PG&E's Section 851 application to sell the Deer Creek powerhouse, and PG&E's Section 851 application to sell the Tule River powerhouse is pending before the Commission. Both powerhouses are excluded from the description of hydroelectric assets provided in this chapter.

8 Three non-FERC jurisdictional powerhouses—Lime Saddle, Coal Canyon, and Hamilton Branch, in the DeSabla Area—will be transferred to Pacific Generation.

ties the powerhouses to PG&E's electric grid, as well as switchyards, switching centers that remotely control the powerhouses, administrative buildings, communication systems, and other miscellaneous instrumentation and monitoring equipment. Many of the lands associated with the hydroelectric facilities contain recreational campgrounds and day use areas, with associated property such as bathrooms and picnic tables. Supplies of consumptive water are also provided downstream of many of the facilities.

PG&E's hydroelectric powerhouses are organized into six regional operating areas based on watershed location:

The *Shasta Area* consists of 16 powerhouses situated on the McCloud-Pit and Cow-Battle Creek watersheds in Shasta and Tehama Counties, with a combined nominal operating capacity of 808.3 MW. The Shasta Area hydroelectric facilities operate under six FERC licenses and have in-service dates ranging from 1903 to 1981. Operations and maintenance services for the Shasta Area are provided from switching centers located at the Pit #3 and #5 powerhouses.

The *DeSabla Area* consists of 16 powerhouses situated on the DeSabla, Feather, and Eel watersheds in Plumas, Butte, and Mendocino Counties, with a combined nominal operating capacity of 785.7 MW. The DeSabla Area hydroelectric facilities operate under six FERC licenses and have in-service dates ranging from 1900 to 1986. Operations and maintenance services for the DeSabla Area are provided from a switching center located at the Rock Creek powerhouse.

The *Drum Area* consists of 11 powerhouses situated on the South Yuba watershed in Nevada and Placer Counties, with a combined nominal operating capacity of 183.4 MW. The Drum Area hydroelectric facilities operate under a single FERC license and have in-service dates ranging from 1902 to 1986. Operations and maintenance services for the Drum Area are provided from switching centers located at the Drum and Wise powerhouses.

The *Motherlode Area* consists of seven powerhouses situated on the Mokelumne and Stanislaus watersheds in Amador and Tuolumne

Counties, with a combined nominal operating capacity of 314.5 MW. The Motherlode Area hydroelectric facilities operate under three FERC licenses and have in-service dates ranging from 1921 to 1963. Operations and maintenance services for the Motherlode Area are provided from a switching center located at the Tiger Creek powerhouse.

The *Kings-Crane Valley Area* consists of 11 powerhouses situated on the San Joaquin and Kings watersheds in Madera and Fresno Counties, with a combined nominal operating capacity of 544.1 MW. The Kings-Crane Valley Area hydroelectric facilities operate under four FERC licenses and have in-service dates ranging from 1910 to 1983. Operations and maintenance services for the Kings-Crane Valley Area are provided from a switching center located at PG&E's Fresno Operations Center.

The *Helms Pumped Storage Plant* is located in Fresno County between an upper reservoir, Courtright Lake, and a lower reservoir, Lake Wishon. Helms operates under a single FERC license and was placed in service in 1984. The facility consists of three generators with a total installed capacity of 1,212 MW. The generators can be reversed to pump water from the lower to the upper reservoir during off-peak hours for reuse during the next generating cycle, essentially acting as a large battery and providing up to 900 MW of stored energy. All of Helms's switching and tagging operations are completed locally at the powerhouse. The units can be started and stopped from PG&E's Fresno Operations Center.

b. Natural Gas

PG&E's NG generation fleet consists of the Gateway and Colusa Generating Stations, which are combined-cycle facilities, and the Humboldt Bay Generating Station, which uses reciprocating engine dual-fuel technology. The combined-cycle facilities at Gateway and Colusa are among the most efficient NG-fired power plants in the state, allowing for the displacement of older, less efficient plants and facilitating the integration of intermittent renewable resources, while the Humboldt Bay facility provides critical reliability support for the Eureka

area. These three generation facilities have a combined maximum operating capacity of 1,400 MWs. [redacted]

Gateway Generating Station is a NG-fired, dry-cooled, combined-cycle power plant located north of the city of Antioch, in Contra Costa County, within the site complex of the decommissioned Contra Costa Power Plant. The project was certified by the California Energy Commission (CEC) in 2001 and began commercial operation in 2009. Gateway has a capacity of 530 MW but is capable of increasing its power output by approximately 50 MW during periods of peak generation demand through the use of duct burner technology, bringing its overall capacity to 580 MW. Gateway's combustion and steam turbines are maintained by General Electric through a long-term services agreement with PG&E, which will be assigned to Pacific Generation as part of the Proposed Transaction.

Colusa Generating Station is a NG-fired, dry-cooled, combined-cycle power plant located in the unincorporated portion of Colusa County, approximately six miles north of the community of Maxwell. The project was certified by the CEC in 2008 and began commercial operation in 2010. Colusa has a capacity of 530 MW, but is capable of increasing its power output by approximately 127 MW during periods of peak generation demand through the use of duct burner technology, bringing its overall capacity to 657 MW. Like Gateway, Colusa's combustion and steam turbines are maintained by General Electric through a long-term services agreement with PG&E, which will be assigned to Pacific Generation as part of the Proposed Transaction.

Humboldt Bay Generating Station (HBGS) is a nominal 163-MW dual-fuel reciprocating-engine power plant located just south of Eureka, in Humboldt County, on the site of the decommissioned Humboldt Bay Power Plant. The facility was certified by the CEC in 2008 and began commercial operation in 2010.

HBGS is a highly flexible facility that provides critical support for local area reliability. During times of high customer demand for natural

gas or unavailability of the gas transmission line feeding the Humboldt County area, the facility can run on California Air Resources Board-certified diesel fuel to generate power for customers. Additionally, in 2020, PG&E upgraded the interconnection system of HBGS to allow for "islanding," such that portions of Humboldt, Mendocino, and Trinity Counties can now be separated from the larger electric grid and energized exclusively from HBGS. This means that HBGS can provide power directly to up to 67,000 area customers across approximately 20 cities and towns during a Public Safety Power Shutoff event or other emergency outside of the area that impacts transmission lines serving the North Coast.

c. Solar

PG&E's solar generation fleet consists of ten ground-mounted photovoltaic (PV) solar stations located in Solano, Fresno, and Kings Counties.[9] These ten solar stations have a combined operating capacity of 152 MW. The majority of the stations commenced commercial operations between 2011 and 2013 as part of PG&E's Solar PV Program. [redacted]

PG&E's ground-mounted PV solar stations are equipped with solar modules that provide direct current energy and inverters to convert that energy to alternative current. The PV stations are connected to the electric grid at the distribution, rather than the transmission level; and therefore, each PV solar station includes transformers that increase the voltage from the 320-480 volt range to 12.47 kilovolts (kV) to facilitate distribution. Each solar station also has various other on-site equipment, including communications enclosures, weather stations, and switchgear.

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9 PG&E also owns three small roof-mounted PV solar generation facilities in the city of San Francisco. One of these facilities, a 0.1 MW array located at AT&T Park, will be included in the transfer of assets to Pacific Generation. The remaining two, located on Harrison Street and Folsom Street near PG&E's San Francisco service center, will be retained by PG&E.

d. Battery Energy Storage

The Elkhorn Battery Energy Storage System (Elkhorn) is a 182.5-MW facility located within PG&E's Moss Landing substation in Monterey County. Elkhorn began commercial operation in April 2022. Consisting of 256 Tesla Megapack energy storage systems utilizing lithium ion battery technology, Elkhorn has the capacity to store and dispatch up to 730 MW hours of electricity—including electricity generated by intermittent renewable resources—at a maximum rate of 182.5 MW for up to four hours. The Elkhorn facility also includes 64 medium-voltage transformers that allow for interconnection to the electric grid at a breaker-and-a-half bay in PG&E's 115-kV Moss Landing switchyard, so that the stored electricity can be deployed as needed during periods of peak demand. Tesla provides support for the facility under a 20-year Long-Term Performance and Maintenance Agreement, which will be assigned to Pacific Generation as part of the Proposed Transaction. [redacted]

Table 2-1 provides a list of the generation facilities to be transferred to Pacific Generation:

TABLE 2-1
GENERATION FACILITIES TO BE TRANSFERRED

Line No.	Facility Type/Area	FERC License Project No. (Hydro only)	Project Name	Powerhouses[(a)] (Hydro only)	Nominal Operating Capacity (MW)[(b)]
1	Hydroelectric				
2	Shasta Area	2661	Hat Creek	Hat Creek #1, Hat Creek #2	17
3		2687	Pit #1	Pit #1	61
4		233	Pit #3, #4, #5	Pit #3, Pit #4, Pit #5	325
5		2106	McCloud Pit	James B Black, Pit #6, Pit #7	364
6		1121	Battle Creek	Volta #1, Volta #2, South, Inskip, Coleman	37.9
7		606	Kilarc-Cow Creek	Kilarc, Cow Creek	3.4
8	DeSabla Area	803	DeSabla-Centerville	Toadtown, DeSabla, Centerville	26.4
9		NA	Miocene	Lime Saddle, Coal Canyon	2
10		NA	Hamilton Branch	Hamilton Branch	4.8
11		2105	Upper North Fork Feather River	Butt Valley, Caribou #1, Caribou #2, Oak Flat, Belden	362.3

TABLE 2-1
GENERATION ASSETS TO BE TRANSFERRED
(CONTINUED)

Line No.	Facility Type/Area	FERC License Project No. (Hydro only)	Project Name	Powerhouses[a] (Hydro only)	Nominal Operating Capacity (MW)[b]
12		1962	Rock Creek-Cresta	Rock Creek, Cresta	196
13		619	Bucks Creek	Bucks Creek	65
14		2107	Poe	Poe	120
15		77	Potter Valley	Potter Valley	9.2
16	Drum Area	2310	Drum Spaulding	Spaulding #1, Spaulding #2, Spaulding #3, Alta, Drum #1, Drum #2, Dutch Flat, Halsey, Wise, Wise #2, Newcastle	183.4
17	Motherlode Area	137	Mokelumne River	Salt Springs, Tiger Creek, West Point, Electra	214.5
18		2130	Spring Gap-Stanislaus	Spring Gap, Stanislaus	98
19		1061	Phoenix	Phoenix	2
20	Kings-Crane Valley Area	1354	Crane Valley	Crane Valley, San Joaquin #1a, San Joaquin #2, San Joaquin #3, AG Wishon	28.7
21		96	Kerckhoff	Kerckhoff #1, Kerckhoff #2	180.4
22		1988	Haas-King	Hass, Kings River	196
23		175	Balch	Balch #1, Balch #2	139
24	Helms Area	2735	Helms	Helms	1,212
25	Natural Gas				
26		NA	Colusa Generating Station	NA	657
27		NA	Gateway Generating Station	NA	580
28		NA	Humboldt Bay Generating Station	NA	163
29	PV Solar				
30		NA	Vaca Dixon Solar Station	NA	2.5
31		NA	Five Points Solar Station	NA	15.0
32		NA	Stroud Solar Station	NA	20.0
33		NA	Westside Solar Station	NA	15.0
34		NA	Huron Solar Station	NA	20.0
35		NA	Cantua Solar Station	NA	20.0
36		NA	Giffen Solar Station	NA	20.0
37		NA	Gates Solar Station	NA	30.0
38		NA	West Gate Solar Station	NA	10.0

TABLE 2-1
GENERATION ASSETS TO BE TRANSFERRED
(CONTINUED)

Line No.	Facility Type/Area	FERC License Project No. (Hydro only)	Project Name	Powerhouses[(a)] (Hydro only)	Nominal Operating Capacity (MW)[(b)]
39		NA	Guernsey Solar Station	NA	20.0
40		NA	AT&T Park Solar Arrays	NA	0.1
41	Battery	NA	Elkhorn Battery Storage	NA	182.5

(a) Four of PG&E's hydroelectric powerhouses—Coal Canyon, Alta, Kilarc, and Kerckhoff #1—include individual non-operational units that will be transferred to Pacific Generation as part of the Proposed Transaction.

(b) The FERC-licensed hydroelectric projects also have a FERC Authorized Installed Capacity, which differs from the project's Nominal Operating Capacity. The FERC Authorized Capacity is used by FERC for regulatory purposes and does not represent the operating capacities of the projects.

2. Real Property Interests

Interest in the land on which PG&E's generation facilities are located and the land used by PG&E to operate and maintain the generation assets is held via a variety of rights, including fee simple, leasehold, operational easement, permit (including possessory interests imbued from FERC licenses), Act of 1866 rights, and prescriptive rights. Forms of certain key conveyance documents for these real property interests are appended to the form of Separation Agreement included as Attachment A to this chapter.

Also provided in Attachment B to this chapter are representative maps and aerial photographs that visually depict the assets and real property to be transferred to Pacific Generation. In the aerial photographs, the footprints of the powerhouses being transferred are demarcated with a purple boundary line, while the footprints of the PG&E fee property being transferred on which each powerhouse is located, if applicable, are demarcated with an orange boundary line. While the proposed property lines will generally approximate the boundaries illustrated in the photographs and accompanying maps, for ease of conveyance, the actual lands conveyed will align with the existing parcel boundaries.

The remainder of this section provides a general substantive description of the real property in PG&E's generation rate base and outlines the reservation and grant of rights necessary to facilitate operational access to

the generation facilities by both PG&E and Pacific Generation and to preserve various third-party uses at the facilities.

a. Real Property Description

1) Hydroelectric

PG&E's 62 hydroelectric powerhouses are located in six regional operating areas in the Sierra Nevada, Cascade, and Coastal Mountain ranges in Northern and Central California. The legal parcels of land occupied by the facilities vary significantly in size, from less than an acre to nearly 800 acres. The overall hydroelectric generation system occupies approximately 166,500 acres, including approximately 65,000 acres of adjacent lands surrounding the facilities. PG&E owns approximately 120,000 acres of this land in fee, all of which will be transferred to Pacific Generation. The remaining acreage is land owned by the federal and state governments and various private parties, over which PG&E holds easements, licenses, use permits, or other entitlements allowing it to access and use the land for the purpose of hydroelectric generation. These entitlements will be transferred to Pacific Generation to facilitate its ability to operate and maintain the hydroelectric facilities.

Consistent with the requirements of the Land Conservation Commitment, and in accordance with the Intercompany Agreements, PG&E will continue to manage the adjacent lands to ensure protection of their beneficial public values, as well as their continued use for hydroelectric generation.

2) Natural Gas

Gateway Generating Station is located on the site of the decommissioned Contra Costa Power Plant in Contra Costa County, just north of Antioch. Gateway sits on a single parcel of land that is owned by PG&E, which will be transferred in fee to Pacific Generation, with the necessary rights and easements reserved for PG&E.

Colusa Generating Station is located on a 100-acre parcel in Colusa County that is leased from the 4,800-acre Holthouse Ranch property, approximately 6 miles north of the community of Maxwell, California, and 4 miles west of Interstate 5. PG&E also possesses easements over the full ranch property for utility purposes. The leasehold for the Colusa parcel and attendant easements over the ranch property will be assigned to Pacific Generation, with the necessary access rights reserved for PG&E.

HBGS is located on the site of the decommissioned Humboldt Bay Power Plant in Eureka. Since HBGS occupies the same parcels of land as the decommissioned nuclear plant at the site, rather than transferring this land in fee to Pacific Generation, PG&E will grant Pacific Generation an easement or lease to facilitate its access to and operation of the HBGS facilities. Either before or after the closing of the Proposed Transaction, PG&E may effectuate a separation of the Humboldt Bay site into separate parcels of land, at which point the individual HBGS land may be transferred in fee to Pacific Generation.

3) Solar

The majority of PG&E's ten ground-mounted PV solar facilities are situated on PG&E-owned land parcels in generation rate base, which will be transferred to Pacific Generation, with reservation/grant of necessary rights and easements for PG&E. Several of the solar facilities are co-located with substations, which are situated on PG&E-owned parcels in transmission/distribution rate base. This land will be retained by PG&E, with the grant of necessary operational rights and easements to Pacific Generation.

4) Battery Energy Storage

The Elkhorn Battery Energy Storage facility sits within the footprint of PG&E's Moss Landing electric substation in Monterey County. PG&E will retain the real property on which the Elkhorn facility is situated, while granting Pacific Generation an easement or lease to facilitate its access to and operation of the facility.

b. Reservation and Grant of Rights

Substantially all of the real property in PG&E's generation rate base will be conveyed to Pacific Generation, including all of the lands owned by PG&E that are subject to the Land Conservation Commitment at the time of conveyance, as further described in Chapter 11. In accordance with the Intercompany Agreements, PG&E and its employees will continue to maintain and operate the generation assets at each transferred facility, and with respect to many facilities, the land conveyed to Pacific Generation in fee will also contain certain assets that will be retained by PG&E, such as switchyards, substations, and telecommunications facilities. With respect to certain generation facilities, including Elkhorn, the assets to be transferred to Pacific Generation will be located on real property that PG&E will retain, either in fee or by easement, license, lease, or the like. As such, each of PG&E and Pacific Generation will need to ensure rights of access at each of the generation facilities.

The necessary access rights for PG&E and Pacific Generation at each facility will be facilitated through the reservation or granting of easements and other rights in the real property transfer documents. Rights that PG&E will reserve in the real property transferred to Pacific Generation include easements to access, use and operate, and maintain and repair transmission and distribution equipment, switchyards, communication facilities, microwave tower equipment, and control rooms at the various transferred generation facilities. Matters of operational access may also be addressed in the Intercompany Agreements, as appropriate. In circumstances where the reservation of easements and/or the development of intercompany agreements between PG&E and Pacific Generation are insufficient to establish and effectuate the necessary operational rights and obligations of PG&E and Pacific Generation, new or additional easements, leases, or licenses will be developed, as appropriate.

PG&E has granted rights to others for the use of certain real property pursuant to leases, licenses, permits, or other agreements. PG&E's position in these third-party arrangements will be assigned to

and assumed by Pacific Generation. These third-party uses are authorized, as appropriate, by the Commission and FERC, through their respective approvals of the leases, licenses, permits, and other agreements that establish the terms and conditions for such third-party uses. These third-party uses include such things as water consumption and irrigation; agriculture, including for cattle grazing, fish hatcheries, beehive farms, and tree farms; recreation, including for home sites, marinas, resorts, parks, and private and commercial boat docks; and local community access, including for public libraries, public parking, and other commercial enterprises. A summary of third-party uses on the lands to be transferred to Pacific Generation is contained in Attachment C to this chapter.

3. Operational Licenses and Permits

In addition to various state and federal regulations, PG&E must comply with the terms of operational licenses and permits held by each generation facility that relate to environmental, safety, and health requirements. These include: (1) FERC project licenses specific to PG&E's hydroelectric generation fleet; (2) CEC project licenses specific to PG&E's NG generation fleet; (3) air quality permits, which set air-emitting requirements, associated emission limitations and allocation credits; (4) water quality permits, which set effluent limitations for waste and storm water discharges to surface waters, sewer systems, and retention basins; (5) waste management permits, which regulate hazardous waste, waste discharge, and storage tanks; and (6) building and housing permits, which authorize construction projects and recreational campground facilities.

A summary of the major operational licenses and permits follows. As contemplated by the Separation Agreement, and subject to applicable regulatory approvals, PG&E will transfer these licenses and permits to Pacific Generation, or will assist with the issuance of necessary licenses or permits to Pacific Generation, upon closing of the Proposed Transaction.

a. FERC Project Licenses

As referenced above, nearly all of PG&E's hydroelectric facilities operate under a FERC license specific to the hydroelectric project of

which the facility is a part. These licenses will be transferred to Pacific Generation with FERC's approval. Each license contains an order detailing environmental, engineering, and administrative conditions pursuant to which the specific hydroelectric project must be operated. Post-closing, Pacific Generation will assume responsibility for complying with these conditions, including those related to preservation of fish and wildlife resources and other environmental protection measures, provision of recreational opportunities and facilities on project land, and conducting studies pertaining to both environmental quality and developmental conditions (such as power generation, irrigation, flood control, and water supply). The FERC licenses also incorporate authorizations from various federal agencies—such as the United States Forest Service, Bureau of Land Management, Army Corps of Engineers, and Bureau of Reclamation—that authorize use of federal land and facilities in connection with the operation and maintenance of the hydroelectric projects.

Additionally, Pacific Generation will be responsible for the future construction and operation of new facilities and any other requirements associated with implementation of, and ongoing compliance with, new FERC licenses or decommissioning orders that are issued through the relicensing or license surrender processes administered by FERC.

b. CEC Licenses

Each of PG&E's NG-fired generation facilities is licensed and certified for operation by the CEC, which administers the state regulatory program for thermal power plants 50 MW and greater under the California Environmental Quality Act. The conditions imposed by these licenses ensure that the facilities are operated in compliance with air quality, water quality, and public health and safety regulations, as required by California Public Resources Code Section 25532. The CEC license for Gateway further incorporates emission limits set forth in a consent decree issued by the U.S. District Court for the Northern District of California in 2010. As a condition to closing, PG&E will file petitions

with the CEC for approval to transfer all three operational licenses to Pacific Generation.[10]

c. Air Quality

PG&E's hydroelectric and NG-fired generation facilities hold permits for stationary air emission sources from the various California Air Districts (i.e., regional Air Pollution Control Districts or Air Quality Management Districts). PG&E's NG-fired generation facilities also hold federal Clean Air Act operating permits related to air quality monitoring and reporting and pollution control requirements for emissions sources, which are issued by California's Air Resources Control Board and administered by the regional Air Pollution Control and Air Quality Management Districts.

Gateway and Colusa have been allotted tradeable sulfur dioxide allowances under the federal Acid Deposition Control program administered under the Clean Air Act. Both NG-fired generating stations have also developed a Risk Management Plan in compliance with the Clean Air Act to account for their use of aqueous ammonia in the emissions reduction process.

d. Water Quality

PG&E's NG-fired generation facilities comply with the Industrial General Permit for stormwater discharges issued by the California State Water Resources Control Board (SWRCB), which governs stormwater discharges associated with industrial activity into waters of the United States. The Industrial General Permit qualifies as a National Pollutant Discharge Elimination System permit in compliance with the federal Clean Water Act (CWA).

PG&E's hydroelectric facilities hold permits issued by the U.S. Army Corp of Engineers under Section 404 of the CWA that allow for dredge and fill work within navigable waters of the United States. The hydroelectric facilities also hold certifications under Section 401 of the CWA that regulate discharges of dredged or fill material to state waters, in accordance with both the CWA and the state Porter-Cologne Water

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10 See Cal. Code of Reg. § 1769(b) (Change in Ownership or Operational Control).

Quality Control Act. Various hydroelectric project activities conducted within or on the banks of certain rivers, streams, or lakes that fall outside of a facility's FERC-licensed boundaries are conducted by means of agreements with the California Department of Fish and Wildlife reached under the state's Lake and Streambed Alteration Program.

PG&E's hydroelectric facilities also hold drinking water supply permits issued by the SWRCB, as further regulated by the respective county departments of environmental health.

e. Waste Management

PG&E's generation facilities all hold permits issued by local Certified United Program Agencies, under authority delegated by the California Environmental Protection Agency, which regulate hazardous waste, remote waste consolidation, hazardous materials, and above-ground storage tanks. PG&E's hydroelectric, NG, and battery energy storage facilities also create spill prevention, control, and countermeasure plans in compliance with federal oil pollution prevention regulations (see Title 40 of the Code of Federal Regulations pt. 112).

PG&E's hydroelectric and NG facilities comply with waste discharge requirements in accordance with Title 27 of the Code of California Regulations, governing the treatment, storage, processing, and disposal of waste, as overseen by the California Department of Resources Recycling and Recovery, the SWRCB, and the various regional water quality control boards.

f. Building and Housing

Several in-progress construction projects at PG&E's generation facilities are authorized by building permits issued by local California jurisdictions. The majority of PG&E's hydroelectric facilities hold state housing permits authorizing the operation of recreational campgrounds. HBGS also holds a state housing permit authorizing sequestration trailers.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 2

ATTACHMENT A

FORM OF SEPARATION AGREEMENT

ATTACHMENT A

Draft as of September 28, 2022

SEPARATION AGREEMENT

by and among

PACIFIC GAS AND ELECTRIC COMPANY

and

PACIFIC GENERATION LLC

[●], 2023

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SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (this "Agreement") is made as of [DATE], 2023 by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("PG&E") and PACIFIC GENERATION LLC, a Delaware limited liability company (the "Company"). Unless otherwise defined herein, capitalized terms used herein are defined in Article I.

WHEREAS, PG&E is engaged in, among other things, the business of the generation, sale and delivery of electricity to customers, including the generation of electricity from (among other sources) hydroelectric, natural gas-fired and solar generation facilities and emission of electricity from battery energy storage systems;

WHEREAS, the Company is a newly formed and wholly owned subsidiary of PG&E, created for the purposes of the Contemplated Transactions (as defined below) and the transactions contemplated by the Minority Sale Agreements (as defined below);

WHEREAS, PG&E wishes to contribute to the Company, and the Company was formed to accept, the Generation Assets (as defined in Section 2.2) and to assume the Generation Liabilities (as defined in Section 2.5);

WHEREAS, following such contribution and assumption, PG&E will operate and maintain such Generation Assets in accordance with the terms and conditions of the Intercompany Agreements (as defined in Section 3.3) between PG&E and the Company being entered into concurrently with this Agreement; and

WHEREAS, PG&E has entered into (i) a Minority Sale Agreement, dated as of [ ], 2023, by and among PG&E, the Company and [*name of* Investor Party], and (ii) a Minority Sale Agreement, dated as of [ ], 2023, by and among PG&E, the Company and [name of Investor Party] (collectively, the "Minority Sale Agreements") pursuant to which PG&E has agreed to sell, and [*Investor[s]*] (collectively, "Investors," and each, an "Investor") have severally agreed to purchase, certain equity interests of the Company following the Closing Date.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 As used in this Agreement, the following terms have the meanings set forth below.

"Action" means any notice, charge, assertion, appeal, action, demand, citation, summons, litigation, suit, proceeding, hearing or arbitration by or before any Governmental Authority or any validly constituted arbitral panel or similar body, of any nature, criminal, civil, administrative, regulatory, investigative or otherwise, and whether at law or in equity.

"Advice Letter" means the process authorized by the Commission pursuant to D.23-XX-XXX and General Order 96-B for PG&E and the Company to submit final copies of this

Agreement and the Minority Sale Agreements and to consummate the transactions contemplated by this Agreement and the Minority Sale Agreements.

"Agreement" shall have the meaning set forth in the preamble.

"Assumed Contract" shall have the meaning set forth in Section 2.2(f).

"Assumed Environmental Liabilities" means any Environmental Liability relating to or arising out of the Generation Assets or the Generation Business, whether based on facts, circumstances, events, occurrences, conduct or Environmental Claims occurring prior to, on or following the Closing Date, other than the Known Environmental Liabilities.

"Business Day" means any day other than a Saturday, a Sunday, or a day on which banks located in San Francisco, California or New York, New York are authorized or required by Law to be closed.

"CEC" means the California Energy Commission.

"CEC Application" means a petition to transfer ownership or operational control of a facility pursuant to 20 Cal. Code of Reg. § 1769(b).

"CEC Approval" means, as applicable, CEC staff affirmation of the CEC Application or the adoption by the CEC of the CEC staff affirmation of the CEC Application.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.).

"Closing" shall have the meaning set forth in Section 3.1.

"Closing Date" shall have the meaning set forth in Section 3.1.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning set forth in the preamble.

"Company Opening Balance Sheet" means the opening balance sheet of the Company as of the Closing Date, prepared in accordance with generally accepted accounting principles and after giving effect to the transactions contemplated hereby.

"Completed Environmental Matter" means a Known Pre-Closing Environmental Matter for which PG&E has achieved Completion (as such term is defined in Section 7.1(a)).

"Consent" means any consent, approval or authorization of or designation, registration, declaration or filing with, any Person other than a Governmental Authority.

"Contemplated Transactions" means the transactions contemplated by this Agreement, including the execution and delivery of the Intercompany Agreements.

"Contracts" means any agreement, contract, lease, settlement, consensual obligation, promissory note, evidence of indebtedness, purchase order, letter of credit, license, promise or undertaking of any nature (whether written or oral and whether express or implied), including letters of intent, executed term sheets and similar evidences of an agreement in principle, but excluding any Employee Benefit Plan.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise. The term "Control" when used as a verb shall have a correlative meaning.

"Conveyance Documents" has the meaning set forth in Section 3.2(a).

"CPUC" means the California Public Utilities Commission.

"CPUC Advice Letter Approval" means the confirmation by the CPUC that the Advice Letter is effective.

"CPUC Order" means [CPUC Decision No. 23-__-___, issued _____, 2023.]

"Data Breach" means any unauthorized Processing of Generation Business Data or IT Systems, or any other data security incident requiring notification to any Person or Governmental Authority under Privacy Laws.

"Data Processor" means a natural or legal Person, public authority, agency or other body that Processes Personal Data on behalf of or with respect to the Generation Business.

"Decommissioning Liabilities" means any and all liabilities and costs incurred in relation to decommissioning, removing, disposing, recovering or making safe any Generation Assets following the Closing (including any liabilities and costs incurred in connection with environmental matters or under Environmental Law, whether known or unknown by PG&E at the Closing). Decommissioning Liabilities shall not be impacted by any amounts that have been, or are expected to be, recovered by PG&E from customers in rates.

"Delayed Generation Asset" has the meaning set forth in Section 6.1(a).

"Delayed Generation Liability" has the meaning set forth in Section 6.1(a).

"Disclosure Schedules" means the Disclosure Schedules attached hereto. References to "Schedules" or a "Schedule" herein refer to sections of the Disclosure Schedules.

"Employee Benefit Plan" has the meaning set forth in Section 4.13(a).

"Energy Industry Regulations" means the laws, orders, decisions, directives, and regulations of the CPUC, FERC, CEC and FCC.

"Enforceability Exceptions" has the meaning set forth in Section 4.2.

"Environmental Claim" means any and all claims alleging potential liability, administrative or judicial actions, suits, orders, liens, notices alleging liability, notices of violation, investigations, complaints, requests for information, proceedings, or other written communication, whether criminal, civil or administrative based upon, alleging, asserting, or claiming any actual or potential Environmental Liability.

"Environmental Law" means any Law relating to or imposing liability or standards of conduct with respect to the protection of human health, safety, the environment or natural resources (including ambient air, soil, surface water, groundwater, wetlands, land or subsurface strata, flora and fauna and other natural resources), including Laws relating to (a) emissions, discharges, releases or threatened releases of Hazardous Substances into the environment; (b) manufacture, generation, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances; and (c) exposure to Hazardous Substances or conditions.

"Environmental Liability" means any and all liability, Loss, costs, expenses, fines, penalties, damages, environmental investigation, remediation or response costs, monitoring costs, natural resource damages, attorney's fees and expenses, consultant's fees and expenses and other costs and expenses relating to or arising from (a) the actual or alleged violation of, or liability under, any Environmental Law or any Environmental Permit, including fines and penalties, mitigation damages and costs to correct any such violations, (b) the presence in any environmental media (including indoor air) or building structures, Release, or threatened Release of any Hazardous Substances at any location, including at off-site locations used for the disposal, storage, recycling or reclamation of Hazardous Substances or other wastes, and (c) personal or bodily injury or death resulting from exposure to Hazardous Substances.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Excluded Assets" shall have the meaning set forth in Section 2.3.

"Excluded Hydroelectric Facilities and Assets" means the assets to be sold pursuant to (1) the Purchase and Sale Agreement by and between PG&E and Tule Hydro LLC, as purchaser, which include the Hydroelectric Facilities relating to the Tule River Project (FERC No. 1333) and (2) the Purchase and Sale Agreement by and between PG&E and Nevada Irrigation District, as purchaser, which include the Hydroelectric Facilities relating to the Deer Creek Hydroelectric Project.

"FCC" means the Federal Communications Commission or any successor agency thereto.

"FCC Approval" means any approvals or authorizations necessary in connection with the Contemplated Transactions (if any).

"FCC License" means a license or other authorization issued by the FCC to PG&E that is used or held for use in the Generation Business.

"FERC" means the Federal Energy Regulatory Commission.

"FERC Approvals" means collectively, FERC approval of the transfer of the relevant hydropower licenses, FERC approval pursuant to FPA section 203 for the Contemplated

Transactions and the transactions contemplated by the Minority Sale Agreements, and FERC authorization or acceptance (as applicable) pursuant to FPA section 205 for the Company's electric wholesale tariffs and for certain Intercompany Agreements.

"FERC Hydro Project Licenses" means the hydropower licenses issued to PG&E in connection with the Generation Business and the Generation Assets pursuant to the Federal Power Act.

"Generation Assets" shall have the meaning set forth in Section 2.2.

"Generation Balancing Account" means the balancing accounts specified in PG&E's tariffs and authorized by the CPUC related to the Generation Business.

"Generation Business" means PG&E's business of the generation or emission of electricity from owned assets regulated by the CPUC on the basis of cost, including hydroelectric, natural gas-fired and solar generation facilities and the storage of electricity in battery energy storage systems, but excluding the Retained Generation Assets, as conducted immediately prior to the Closing.

"Generation Business Data" means all confidential data, information, and data compilations contained in the IT Systems or databases of PG&E, including Personal Data, that are used in the Generation Business.

"Generation Business Privacy Policies" means any (a) internal or external past or present data protection, data usage, data privacy and security policies of the Generation Business, (b) representations, obligations, promises or commitments with respect to the Generation Business, relating to privacy, security, or the Processing of Personal Data, and (c) policies and obligations applicable to the Generation Business as a result of any certification relating to privacy, security, or the Processing of Personal Data.

"Generation Business R&W" means (a) in respect of this Agreement, the representations and warranties made by PG&E to the Company in Section 4.5 (Compliance with Law), Section 4.6 (No Litigation), Section 4.7 (Permits), Section 4.8 (Water Rights), Section 4.9 (Real Property), Section 4.10 (Title and Condition; Sufficiency of Assets), Section 4.11 (Material Assigned Contracts), Section 4.12 (Insurance), Section 4.13 (Employees and Employee Benefit Plans; Labor), Section 4.14 (Environmental Matters), Section 4.15 (Data Privacy; Cybersecurity) and Section 4.17 (Intellectual Property) of this Agreement and (b) in respect of the Minority Sale Agreement[s], the representations and warranties made by PG&E to Investor[s] pursuant to Article V of the Minority Sale Agreement[s].

"Generation Facilities" means the electric generation facilities that are part of the Generation Business, including any battery storage systems.

"Generation Liabilities" shall have the meaning set forth in Section 2.5.

"Generation Memorandum Account" means the memorandum accounts specified in PG&E's tariffs and authorized by the CPUC related to the Generation Business.

"Generation Real Property" means the Owned Generation Real Property, the Leased Generation Real Property and the Generation Rights-of-Way.

"Generation Real Property Leases" means each Contract to which PG&E is a party for the Leased Generation Real Property.

"Generation Regulatory Assets" means deferred charges and other rights of the Company to potentially recover amounts from customers through rates and charges in future periods (together with any interest or return thereon, as applicable), including the amounts set forth in the Generation Memorandum Accounts or the Generation Balancing Accounts.

"Generation Regulatory Liabilities" means, to the extent related to the Generation Business, liabilities to refund or credit amounts to customers through rates and charges in future periods (together with any interest or return thereon) that result specifically from ratemaking action by the CPUC, whether pursuant to a decrease or offset to Rate Base or revenue requirement for ratemaking purposes or pursuant to a recovery or credit mechanism that has been specifically authorized or approved by the CPUC.

"Generation Rights-of-Way" means easements, licenses, rights-of-way, option, rights-of-first refusal, rights-of-first offer or similar rights or interests in any parcel of real property, which rights or interest are held or used in the Generation Business.

"Governmental Authority" means any federal, national, regional, state, municipal or local government or special district, any political subdivision or any governmental, judicial, public, administrative, Tax, regulatory, arbitral, statutory or other instrumentality, tribunal, court, agency, authority, body, commission, bureau or entity having jurisdiction over the matter or Person in question or over any of the Generation Assets, including, as applicable, FERC, the CPUC, the CEC, the NERC, the SWRCB and CAISO.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination, penalty, or award entered by or with any Governmental Authority.

"Hazardous Substance" means, collectively, (a) any chemical, material or substance that is listed or regulated under applicable Laws as a "hazardous" or "toxic" substance or waste, or as a "contaminant" or "pollutant" or words of similar import, (b) any petroleum or petroleum products, flammable materials, explosives, radioactive materials, asbestos, urea formaldehyde foam insulation, and transformers or other equipment that contain polychlorinated biphenyls or per- and polyfluoroalkyl substances, and (c) any other chemical or other material or substance, exposure to which is prohibited, limited or regulated by any Law.

"Hydroelectric Facilities" means those certain hydroelectric facilities that are Generation Facilities, together with all improvements, additions and replacements thereto.

"Information Security Program" means a written information security program that complies with Privacy Laws and that includes: (a) policies and procedures regarding the Processing of Personal Data; (b) administrative, technical and physical safeguards to protect the security, confidentiality, and integrity of any Personal Data Processed with respect to the Generation Business; (c) requirements for protecting the security, confidentiality, and integrity of

any Personal Data Processed by, and IT Systems operated by, any third party operating on behalf of or at the direction or for the benefit of the Generation Business; (d) disaster recovery, business continuity, incident response, and security plans, procedures and facilities; and (e) protections against Data Breaches, malicious code, and against loss, misuse or unauthorized access to and Processing of Generation Business Data and IT Systems used with respect to the Generation Business.

"Intellectual Property Rights" means all rights in and to the following: (a) patents and patent applications, (b) trademarks, service marks, trade dress, logos, (c) copyrights and registrations and applications for registration thereof, (d) mask works and registrations and applications for registration thereof, (e) trade secrets, inventions (whether patentable or unpatentable and whether or not reduced to practice) and know-how and (f) domain names.

"Intercompany Agreements" shall have the meaning set forth in Section 3.3.

"Investor" shall have the meaning set forth in the recitals.

"IT Assets" means all computers, computer software, embedded software, databases, firmware, middleware, servers, workstations, routers, hubs, switches, data communication lines, and all other information technology and computer systems, equipment, and all associated documentation, used or held for use in the Generation Business.

"IT Systems" means the hardware, software, firmware, middleware, equipment, electronics, platforms, servers, workstations, routers, hubs, switches, interfaces, data, databases, data communication lines, network and telecommunications equipment, websites and internet-related information technology infrastructure, wide area network and other data communications or information technology equipment, owned, leased by, used by, for the benefit of, licensed to, or Processed in the conduct of the Generation Business.

"Knowledge" means, with respect to PG&E or the Company, the actual, current knowledge of, or the knowledge that Person has after reasonable inquiry of their respective direct reports, of the Persons listed in Schedule 1.1(a) for PG&E or the Company, as applicable, of any fact, circumstance or condition, irrespective of the group and title set forth in Schedule 1.1(a).

"Known Environmental Liabilities" means all liabilities and Losses arising from or related to the Remediation of Known Pre-Closing Environmental Matters in accordance with Section 7.1 of this Agreement.

"Known Pre-Closing Environmental Matters" shall have the meaning set forth in Section 7.1(a)(i).

"Law" means any statute, law, ordinance, treaty, rule or regulation of a Governmental Authority.

"Leased Generation Real Property" means the real property leased, subleased, licensed or otherwise occupied by PG&E as tenant, sublessee, licensee or occupier, together with, to the extent leased, subleased, licensed or otherwise occupied by PG&E, all buildings and other structures, facilities, powerhouses, dams, reservoirs and other improvements located thereon, all

fixtures, systems, equipment and items of personal property that are used or held for use in the Generation Business affixed thereto and all easements, licenses, rights and appurtenances relating to the foregoing. The real property leased under the Generation Real Property Leases shall be Leased Generation Real Property.

"Legal Impediment" means a legal impediment, restraint or prohibition which is in effect and has the effect of preventing, restricting or otherwise prohibiting the transfer of a Generation Asset or the assumption of a Generation Liability, as the case may be, as of the Closing Date.

"Liens" means (a) with respect to real property, liens, pledges, mortgages, deeds of trust, security interests, easements, and other similar encumbrances affecting title to real property, and (b) with respect to personal property, liens, pledges, and security interests, in each case, whether imposed by law or agreement.

"Lookback Date" means [January 1, 2022].

"Material Adverse Effect" means any condition, circumstance, event or change that, individually or in the aggregate with any other such conditions, circumstances, events or changes, (a) with respect to PG&E, has had or would reasonably be expected to have a material adverse effect on the ability of PG&E to consummate the Contemplated Transactions or to perform its obligations under this Agreement and (b) with respect to the Generation Business, has or would reasonably be expected to have a material adverse effect on the business, assets, financial condition or results of operations of the Generation Business; provided, however, that a Material Adverse Effect shall not include any such condition, circumstance, event or change specifically disclosed in CPUC or FERC filings or the SEC Reports filed or furnished to the CPUC, FERC or SEC, as applicable, prior to the Closing Date or in the schedules to this Agreement, or resulting from, relating to or arising out of (i) changes in economic or financial market conditions generally or in the industries in which the Generation Business operates, whether international, national, regional or local, (ii) changes in international, national, regional, state or local wholesale or retail markets (including market description or pricing) for, or changes in industry conventions, practices and structures impacting revenues for, energy, electricity, capacity, fuel supply, water, electricity storage, or ancillary services, including those due to actions by competitors, (iii) changes in general regulatory or political conditions, including any acts of war, civil unrest or terrorist activities (or similar activities), (iv) changes in international, national, regional or state electric transmission, distribution, generation or storage systems or facilities, including the operation or condition thereof, (v) any changes in the market price of commodities, including fuel and other consumables, (vi) effects of weather or meteorological events, including climate change, storms, earthquakes, tornados, floods, droughts, high winds or natural disasters, (vii) changes or adverse conditions in the securities markets, including those relating to debt financing, interest rates or currency exchange rates, (viii) any change in Law or generally accepted accounting principles or regulatory policy (or any official interpretation or enforcement thereof) adopted by or approved by any Governmental Authority, (ix) the announcement, execution or delivery of this Agreement or the Minority Sale Agreement[s] or the consummation of the Contemplated Transactions or the transactions under the Minority Sale Agreement[s], including (1) any action taken by PG&E or the Company that is required, contemplated or permitted pursuant to this Agreement, or is consented to by Investor (or any action not taken as a result of a failure of Investor to consent as requested by PG&E to an action requiring Investor's consent), or any action taken by Investor or

any of its Related Persons to obtain any required consents or approvals from any Governmental Authority to the consummation of the Contemplated Transactions or the transactions contemplated by the Minority Sale Agreement[s], and, in each case, the result of any such actions, (2) any claim arising out of or related to this Agreement, (3) any change in supplier, employee, financing source, stockholder, regulatory, or similar relationships resulting therefrom or (4) any change that arises out of or relates to the identity of Investor or any of its Related Persons as party to the Minority Sale Agreement, (x) natural disasters or "acts of God" or other "force majeure" events, including pandemics (including the COVID-19 pandemic) or any escalation or worsening thereof, (xi) strikes, work stoppages or other labor disturbances or (xii) any changes that result from action or inaction by a Governmental Authority other than actions or inactions specifically related to the Contemplated Transactions, the transactions under the Minority Sale Agreement or any other agreements relating to investments in the Generation Business by Investor or any of its Related Persons; provided that the items set forth in clauses (iii), (iv), (v), (vi), (vii), (viii) or (x) above shall be taken into account in determining whether a Material Adverse Effect has occurred or would be reasonably expected to occur to the extent such items have a disproportionate effect on the Generation Business relative to other similarly situated participants in the industry and markets in which the Generation Business operates.

"Minority Sale Agreement" shall have the meaning set forth in the recitals.

"New Company Liens" means Liens on the Generation Assets incurred by the Company in connection with the [*new financing entered into on the Closing Date*].

"Organizational Documents" means, with respect to any Person, any corporate, partnership or limited liability company organizational documents, including certificates or articles of incorporation, bylaws, certificates of formation, operating agreements (including limited liability company agreements and agreements of limited partnership), certificates of limited partnership, partnership agreements, shareholder agreements, certificates of existence, member agreements or similar Contracts relating to the ownership or governance of such Person.

"Owned Generation Real Property" means the real property in which PG&E has fee title (or equivalent) interest that is used or held for use in the Generation Business, together with all buildings and other structures, facilities, powerhouses, dams, reservoirs and other improvements located thereon, all fixtures, systems, equipment and items of personal property that are used or held for use in the Generation Business attached or appurtenant thereto and all easements, licenses, rights and appurtenances relating to the foregoing, in each case, other than the Specified PG&E Real Property.

"Permits" means any license, approval, exemption, variance, franchise, permit, authorization, consent, certification, registration, certificate of authority, certificate of occupancy or similar order of or from, or registration with, any Governmental Authority in connection with the ownership or operation of the Generation Business.

"Permitted Liens" means (a) any easements, rights of way, licenses, leases, liens or other rights or encumbrances that do not, and would not reasonably be expected to, materially impair the operation of any material Generation Facility in substantially the manner it is currently operated, the operation of the Generation Assets, taken as a whole, in substantially the manner

they are currently operated, or the operation of the Generation Business as a whole, (b) Retained Land Rights, (c) New Company Liens, (d) Liens for Taxes and other governmental charges and assessments which are not yet delinquent, (e) statutory Liens (including mechanics' and materialmen's liens and other like Liens and inchoate liens incurred in connection with worker's compensation, unemployment insurance, and social security laws) arising in the ordinary course of business securing payments not yet delinquent (or any such Lien for a delinquent payment that has been waived in writing by the holder thereof or any such Lien for a delinquent payment for which PG&E has obtained a waiver, bond or other security in accordance with Law to fully protect the Generation Assets from any and all claims that may be made on account of any such Lien), (f) Liens, encumbrances or title imperfections with respect to any of the Generation Assets created by or resulting from the acts or omissions of the Company, (g) any existing zoning, entitlement, conservation restriction and other land use and environmental regulations of any Governmental Authority and any conditions, obligations and liabilities arising under any Permit, (h) the conservation easements under the Land Conservation Commitment, and (i) any imperfection of title that does not, and would not reasonably be expected to, individually or in the aggregate with other such Liens, materially impair the operation of any material Generation Facility in substantially the manner it is currently operated, the operation of the Generation Assets, taken as a whole, in substantially the manner they are currently operated, or the operation of the Generation Business as a whole, and (j) all Liens and all exceptions set forth in relevant Preliminary Title Reports not otherwise addressed in (a) through (h) of this definition.

"Person" means any individual, sole proprietorship, company, corporation, partnership, joint venture, limited liability partnership, limited liability company, trust, joint stock company, association (whether incorporated or unincorporated), institution, Governmental Authority, organization, district, or any other entity.

"Personal Data" means information relating to or reasonably capable of being associated with an identified or identifiable person, device, or household, including: (a) a natural person's name, street address or specific geolocation information, date of birth, telephone number, email address, online contact information, photograph, biometric data, Social Security number, driver's license number, passport number, tax identification number, any government-issued identification number, financial account number, credit card number, any information that would permit access to a financial account, a user name and password that would permit access to an online account, health information, insurance account information, any persistent identifier such as customer number held in a cookie, an internet protocol address, a processor or device serial number, or a unique device identifier; or (b) "personal data," "personal information," "protected health information," "nonpublic personal information," or other similar terms as defined by applicable Privacy Laws.

"PG&E" shall have the meaning set forth in the preamble.

"PG&E Loss Amount" shall have the meaning set forth in Section 8.2(b).

"Preliminary Title Reports" means the preliminary title reports for certain of the Generation Real Property listed on Schedule [ ].

"Privacy Laws" means (a) each Law relating to the protection or Processing of Personal Data that is applicable to the Generation Business, including if and as applicable, the Federal Trade Commission Act, 15 U.S.C. § 45; the CAN-SPAM Act of 2003, 15 U.S.C. § 7701, et seq.; the Telephone Consumer Protection Act, 47 U.S.C. § 227; the Health Insurance Portability and Accountability Act of 1996; the Health Information Technology for Economic and Clinical Health Act; the Fair Credit Reporting Act, 15 U.S.C. § 1681; the Gramm-Leach-Bliley Act, 15 U.S.C. § 6801, et seq.; the Electronic Communications Privacy Act, 18 U.S.C. §§ 2510-22; the Stored Communications Act, 18 U.S.C. §§ 2701-12; the California Consumer Privacy Act, Cal. Civ. Code § 1798.100, et seq.; California Online Privacy Protection Act, Cal. Bus. & Prof. Code § 22575, et seq.; Cal. Civ. Code § 1798.82; Laws requiring notification to any Person or Governmental Authority in the event of a Data Breach; and all implementing regulations and requirements, and other similar Laws; (b) each contractual obligation relating to the Processing of Personal Data applicable to the Generation Business; and (c) each applicable binding rule, code of conduct, or other requirement of self-regulatory bodies and applicable industry standards, including, to the extent applicable, the Payment Card Industry Data Security Standard.

"Processing," "Process" or "Processed," with respect to Personal Data, means any collection, access, acquisition, storage, protection, use, recording, maintenance, operation, dissemination, re-use, disposal, disclosure, re-disclosure, destruction, transfer, modification, or any other processing (as defined by Privacy Laws) of such Personal Data.

"Property Rights Agreements" each Contract to which PG&E is a party for the Generation Rights-of-Way.

"Rate Base" means the value of utility property or assets that is deemed used and useful in providing public utility services and upon which PG&E is permitted to earn a rate of return approved by the CPUC.

"Regulatory Approvals" shall mean the CEC Approval, the FERC Approvals, the CPUC Advice Letter Approval and the FCC Approval.

"Related Person" means, with respect to a Person, any other Person, that directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such first Person. With respect to PG&E, "Related Person" shall not include the Company.

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or placing into the environment or any migration through the environment. "Release" when used as a verb shall have a correlative meaning.

"Remaining Business" means the business or businesses of PG&E other than the Generation Business.

"Remediation" means any or all of the following activities to the extent they relate to or arise from the presence of Hazardous Substances in soil or groundwater, or both, at any of the Generation Real Property: (a) performing any activities that are remedial or removal actions under CERCLA, or that result in response costs as defined under CERCLA, including

monitoring, investigation, cleanup, containment, remediation, removal, mitigation, response or restoration work; (b) obtaining any Permits or other approvals from Governmental Authorities necessary to conduct any such work; (c) preparing and implementing any plans or studies for such work; (d) obtaining a written notice from all applicable Governmental Authorities with jurisdiction over the Generation Real Property under Environmental Laws that no material additional work is required by such Governmental Authority; and (e) any other activities required under Environmental Laws to address the presence of Hazardous Substances at any of the Generation Real Property.

"Representatives" shall have the meaning set forth in Section 7.5(a).

"Retained Generation Assets" means any nuclear Generation Facilities and all other nuclear generation assets of PG&E, fuel cells, solar facilities located on Harrison and Folsom streets in the city of San Francisco, Excluded Hydroelectric Facilities and Assets, and the Delayed Generation Assets.

"Retained Land Rights" means (a) the reservation of rights set forth in any of the Grant Deeds and Reservation of Rights entered into by PG&E and the Company concurrently with this Agreement pursuant to which PG&E reserved the rights to access and use certain Generation Real Property for purposes of the Remaining Business, including, as applicable, gas, switchyard, transmission, distribution, ground grid, control room and communication purposes and (b) any other easements, rights of way, licenses, leases, liens, or other rights or interests retained by, reserved for or granted to PG&E in any Generation Assets pursuant to this Agreement or any Conveyance Documents or in connection with the Contemplated Transactions.

"Retained Personal Property" means those items of personal property used or held for use primarily in the operation of the Generation Business that will be used by PG&E personnel after the Closing to provide the services contemplated by the Intercompany Agreements and are (a) assigned to or under the direct possession and control of PG&E personnel that are not in the Power Generation operating function of PG&E, other than books and records relating to the Generation Business or (b) are listed on Schedule 1.1(b).

"SEC" means the United States Securities and Exchange Commission or any successor agency thereto.

"SEC Reports" means all forms, reports, schedules, statements and other documents required to be filed with or furnished to the SEC under the Exchange Act by PG&E or PG&E Corp since the Lookback Date

"Specified PG&E Real Property" means (a) switchyard areas located on real property retained by PG&E over which the Company needs access rights, (b) co-located solar facilities in which PG&E retains fee title to the land on which the solar facilities are located, (c) the Moss Landing substation and (d) the Humboldt Bay area property.

"Tax" or "Taxes" means all taxes, including all charges, fees, duties, levies or other assessments in the nature of taxes, imposed by any Governmental Authority, including income, gross receipts, excise, property, sales, gain, use, license, transfer, environmental, production,

custom duty, unemployment, corporation, capital stock, franchise, payroll, withholding, social security, minimum, estimated, ad valorem, profit, gift, severance, value added, disability, recapture, occupancy, retaliatory or reciprocal, guaranty fund assessments, credit, occupation, leasing, employment, stamp, goods and services, utility and other taxes, including any interest, penalties or additions attributable thereto.

"Tax Return" means any Tax return, declaration, report, claim for refund, form, or information return or statement relating to Taxes, including any such document prepared on a consolidated, combined or unitary basis, and also including any schedule or attachment thereto, and including any amendment thereof.

"Third Party Use Agreements" shall have the meaning set forth in Section 2.2(e).

"Water Rights" has the meaning set forth in Section 2.2(l).

ARTICLE II
CONTRIBUTION; ASSUMPTION OF LIABILITIES

2.1. Contribution of Generation Assets. Subject to the terms and conditions set forth herein, PG&E hereby agrees to contribute, assign, transfer, convey and deliver to the Company on the Closing Date, and the Company hereby agrees to accept from PG&E on the Closing Date, all of PG&E's right, title and interest in and to the Generation Assets, free and clear of any Liens (other than Permitted Liens).

2.2. Generation Assets. For purposes of this Agreement, "Generation Assets" shall mean all of the assets, properties, rights and interests of PG&E of whatever kind or nature, real or personal, tangible or intangible and wherever located, as such assets may exist at the time of the Closing (other than the Excluded Assets) that are (x) used or held for use primarily in the operation of the Generation Business, including the assets that comprise the non-nuclear generation Rate Base on the Closing Date and (y) Construction Work In Progress. Without limiting the generality of the foregoing, the Generation Assets shall include:

(a) all Owned Generation Real Property, as further described in Schedule 2.2(a);

(b) all Generation Real Property Leases for the Leased Generation Real Property, as further described in Schedule 2.2(b);

(c) all the Generation Rights-of-Way, as further described in Schedule 2.2(c);

(d) all licenses, permits, certificates of occupancy, approvals, dedications, subdivision maps and entitlements now or hereafter issued, approved or granted by a Governmental Authority exclusively in connection with the Generation Real Property, together with all renewals and modifications thereof;

(e) all of the leases, subleases, licenses, concessions and other similar occupancy agreements pertaining to the Generation Real Property entered into by PG&E as

landlord, lessor or licensor, together with all amendments, renewals, modifications, written waivers and guaranties thereof (the "Third Party Use Agreements");

(f) agreements and arrangements exclusively related to the Generation Assets, to which PG&E is a party including the categories of agreements listed in Schedule 2.2(f) (all such agreements and arrangements, collectively, the "Assumed Contracts");

(g) all fixtures, equipment, machinery, appliances, building supplies, tools, furniture, furnishings, apparatus and fittings and other items of personal property used primarily in connection with the operation or maintenance of the Generation Assets either (i) owned by PG&E or (ii) leased by PG&E, including the categories of personal property listed in Schedule 2.2(g); excluding, however, (x) all fixtures, equipment, machinery, appliances, building supplies, tools, furniture, furnishings, vehicles, apparatus and fittings and other items of personal property owned by tenants, subtenants, guests, invitees, employees, easement holders, service contractors and other Persons who own any such property located on the Generation Assets and (y) the Retained Personal Property (the "Tangible Personal Property");

(h) all intangible personal property now or hereafter used primarily in connection with the operation, ownership, maintenance, management or occupancy of the Generation Assets (the "Intangible Personal Property");

(i) all files, books and records owned by PG&E exclusively relating to the ownership, operation and maintenance of the Generation Assets, in whatever form they exist, including those records in PG&E's possession relating to the operation and maintenance of the Generation Assets that are identified in Schedule 2.2(i) (the "Generation Business Records");

(j) all assets related to new and ongoing projects of the Generation Business that are in process of construction, including the projects described in Schedule 2.2(j), and any other such projects to be accounted for as construction work in progress on the Company Opening Balance Sheet (the "Construction Work In Progress");

(k) all regulatory and operational Permits issued primarily in connection with the Generation Business, including the Permits listed on Schedule 2.2(k), but only to the extent such Permits may be transferred under applicable Law (including, without limitation, upon request or application to the applicable Governmental Authority);

(l) all water rights owned and utilized by PG&E in the operation of the Generation Business, as further described in Schedule 2.2(l) (the "Water Rights");

(m) [all FCC Licenses];

(n) all the FERC Hydro Project Licenses;

(o) [all the Generation Regulatory Assets];

(p) [the Generation Memorandum Accounts and the Generation Balancing Accounts]; and

(q) all existing warranties and guaranties issued to or inuring to the benefit of PG&E in connection with the Generation Real Property or the Tangible Personal Property.

2.3. Excluded Assets. The Generation Assets shall not include any assets other than the assets described in Section 2.2 (such other assets, the "Excluded Assets"). Without limiting the generality of the foregoing, Excluded Assets include:

(a) the IT Assets;

(b) the Retained Land Rights;

(c) the Retained Personal Property, as described on Schedule 2.3(c);

(d) the Retained Generation Assets;

(e) all rights to any refunds for Taxes or other costs or expenses borne by PG&E attributable to periods prior to the Closing Date (determined, with respect to refunds for Taxes, in a manner consistent with Section 8.3(c));

(f) all accounts receivable of PG&E with respect to the period prior to the Closing;

(g) all rights and obligations of PG&E under any contracts or agreements other than the Assumed Contracts;

(h) all insurance benefits, including rights and proceeds, arising from or relating to the Generation Assets or the Generation Liabilities with respect to the period prior to the Closing;

(i) the rights to the name "Pacific Gas and Electric Company", any logo of PG&E and any intellectual property of PG&E (other than the Intangible Personal Property); and

(j) [the assets set forth on Schedule 2.3(j)][1].

2.4. Assumption of Generation Liabilities. Subject to the terms and conditions set forth herein, PG&E hereby agrees to transfer and assign to the Company on the Closing Date, and the Company hereby agrees to assume from PG&E on the Closing Date, all the Generation Liabilities.

2.5. Generation Liabilities. For purposes of this Agreement, "Generation Liabilities" shall mean all obligations and liabilities (other than the Retained Liabilities) related to the Generation Business or the Generation Assets occurring, arising or related to the period following the Closing, whether primary or secondary, direct or indirect, absolute or contingent, liquidated or unliquidated, known or unknown, and whether or not accrued, including:

[1] NTD: Include if needed.

(a) all liabilities relating to the Assumed Contracts with respect to the period following the Closing;

(b) all liabilities relating to the Generation Real Property Leases and the Third Party Use Agreements with respect to the period following the Closing;

(c) all obligations under any licenses, franchises or permits assigned by PG&E to the Company with respect to the period following the Closing;

(d) all Taxes and other obligations with respect to the Generation Assets that accrue on or after the Closing Date (determined, with respect to Taxes, in a manner consistent with Section 8.3(c));

(e) all liabilities relating to the actual or alleged failure of any Generation Assets or the Generation Business to comply with any applicable Law (including Environmental Laws) with respect to the period following the Closing;

(f) all Decommissioning Liabilities and all other liabilities relating to closure, shutdown, monitoring, investigation, cleanup, containment, remediation, removal, mitigation, response or restoration work at, on, beneath, to, from or in any Generation Assets following the Closing;

(g) all obligations of PG&E pursuant to the FERC Project Licenses following the Closing;

(h) all Assumed Environmental Liabilities;

(i) all Generation Regulatory Liabilities; and

(j) all other liabilities expressly allocated to the Company in this Agreement or any of the Intercompany Agreements.

2.6. Retained Liabilities. PG&E shall remain responsible for the discharge and performance of obligations and liabilities of PG&E and its Related Persons other than the Generation Liabilities (the "Retained Liabilities"). Without limiting the generality of the foregoing, the Retained Liabilities shall include:

(a) any liability relating to the ownership or operation of the Generation Assets prior to the Closing, but not including any Assumed Environmental Liabilities;

(b) all obligations and liabilities of the Remaining Business, including (i) all claims, demands, violations, actions, damages, assessments, penalties, fines, costs, expenses, obligations, or other liabilities with respect to the ownership, operation or maintenance of assets and properties relating to the Remaining Business; and (ii) any Taxes related to the Remaining Business;

(c) all obligations and liabilities to the extent arising out of or relating to any Excluded Assets;

(d) all liabilities assumed by, retained by or agreed to be performed by or on behalf of PG&E pursuant to this Agreement or the Intercompany Agreements;

(e) all accounts payable of PG&E with respect to the period prior to the Closing;

(f) any Taxes related to the Generation Assets or the Generation Liabilities with respect to any taxable period (or portion thereof) ending before the Closing Date (determined, with respect to Taxes, in a manner consistent with Section 8.3(c));

(g) payroll Taxes, whether owed by the employee or employer, with respect to any current or past employees of PG&E (whether in connection with the Remaining Business or the Generation Business) or any Related Person (except to the extent allocated to the Company for periods (or portions thereof) beginning on or after the Closing Date pursuant to this Agreement or the Intercompany Agreements, or with respect to any employees directly employed by the Company following the Closing);

(h) all obligations and liabilities arising out of or relating to any indebtedness of PG&E or any Related Person thereof;

(i) the Known Environmental Liabilities;

(j) all obligations and liabilities of PG&E related to assets previously used or held for use by PG&E in its business of the generation or emission of electricity that are not Generation Assets, including all such assets that have been transferred or sold prior to the Closing Date (including all Environmental Liabilities related to such assets); and

(k) [all obligations and liabilities in respect of any matter listed on Schedule 2.6(k);]

(l) all obligations and liabilities of PG&E or any Related Person, to any current or past employee or independent contractor of PG&E or any Related Person or any other third party with respect to any accrued, unpaid or other salary, wages, benefits, expense reimbursements, severance or other separation payments, any sales or other commission or other compensation or other equity-based incentives, including any payment due to any employee for any vacation or other paid time off earned (but not used) by such employee (except to the extent allocated to the Company for periods following the Closing pursuant to the Intercompany Agreements); and

(m) all fines, penalties or costs imposed for actions or matters prior to the Closing by a Governmental Authority against PG&E or its Related Persons, the Generation Assets, the Generation Business or any activities occurring in connection with and attributable to the ownership, lease or operation of the Generation Assets resulting from the violation of any statute, ordinance, rule or regulation promulgated by a Governmental Authority, but not including any Assumed Environmental Liabilities.

ARTICLE III
CLOSING

3.1. Closing. On the terms and subject to the conditions set forth in this Agreement, the closing of the contribution of the Generation Assets and the other transactions contemplated by this Agreement (the "Closing") shall take place via the exchange of electronic documents on the date hereof (the "Closing Date") and the Closing shall be deemed effective as of 12:01 a.m. (Pacific Standard Time) on the Closing Date.

3.2. Closing Deliveries.

(a) Closing Deliveries of the Company. At the Closing, on the terms and subject to the conditions set forth in this Agreement, the Company shall deliver to PG&E (the documents set forth in the following clauses (i) through (xiv), the "Conveyance Documents"):

(i) an executed counterpart to the Bill of Sale substantially in the form attached hereto as Exhibit A with respect to all Tangible Personal Property and Generation Business Records;

(ii) executed counterparts to the Assignment and Assumption Agreements substantially in the form attached hereto as Exhibit B with respect to each Assumed Contract;

(iii) executed counterparts to the Grant Deed and Reservation of Easements for each Owned Generation Real Property substantially in the form attached hereto as Exhibit C;

(iv) executed counterparts to the Assignment and Assumption Agreement of Leases and Occupancy Agreements substantially in the form attached hereto as Exhibit D with respect to each of the Generation Real Property Leases, or sublease from PG&E to the Company as to any Generation Real Property Lease that is not assigned to the Company, or sublease from the Company to PG&E as to any portion of the premises under a Generation Real Property Lease that is assigned to the Company and is not a Generation Asset;

(v) executed counterparts to the Quitclaim of Prescriptive Rights agreement substantially in the form attached hereto as Exhibit E with respect to Generation Real Property for which PG&E has unwritten or prescriptive rights;

(vi) an executed counterpart to the Assignment of Easements and Rights substantially in the form attached hereto as Exhibit F with respect to applicable Generation Rights-of-Way;

(vii) an executed counterpart to the Assignment and Assumption of Third Party Use Agreements substantially in the form attached hereto as Exhibit G with respect to the Generation Real Property leased or licensed by PG&E to third parties;

(viii) executed counterpart to the Easement Agreement for the Specified PG&E Real Property substantially in the form attached hereto as Exhibit H;

(ix) executed counterpart to the Remediation License substantially in the form attached hereto as Exhibit I;

(x) an executed counterpart to the Assignment of Water Rights (including State Water Resources Control Board, Division of Water Rights change of ownership form) substantially in the form attached hereto as Exhibit J;

(xi) an executed counterpart to the Conservation Easement Assignment and Assumption Agreement for [____] substantially in the form attached hereto as Exhibit K[2];

(xii) an executed counterpart to the documentation evidencing transfers of Permits;

(xiii) all other separate assignments of any Intangible Personal Property necessary, proper or advisable to record the transfer of Generation Assets with any applicable Governmental Authority, lessor or other Person with whom such assignments must be filed;

(xiv) such other customary instruments of transfer or assumption, filings, or documents, in form and substance reasonably satisfactory to PG&E, as may be required to give effect to the transactions contemplated by this Agreement; and

(xv) an executed counterpart to each of the Intercompany Agreements.

(b) Closing Deliveries of PG&E. At the Closing, on the terms and subject to the conditions set forth in this Agreement, PG&E shall deliver, or cause to be delivered, to the Company:

(i) an executed counterpart to the Conveyance Documents;

(ii) an executed counterpart to each of the Intercompany Agreements; and

(iii) such other customary instruments of transfer or assumption, filings, or documents, in form and substance reasonably satisfactory to the Company, as may be required to give effect to the transactions contemplated by this Agreement.

3.3. Intercompany Agreements. Concurrently with the Closing, PG&E and the Company shall enter into the following agreements (the "Intercompany Agreements"):

(a) Operations and services agreements substantially in the form attached hereto as Exhibit L;

(b) Corporate services agreements substantially in the form attached hereto as Exhibit M;

[2] NTD: Applicable only to hydroelectric generation assets.

(c) Billing services agreement substantially in the form attached hereto as Exhibit N;

(d) Interconnection agreements and amendments to existing interconnection agreements, each substantially in the forms, as applicable, attached hereto as Exhibit O.

(e) Fuel procurement agreement substantially in the form attached hereto as Exhibit P;

(f) Scheduling and dispatch agreement substantially in the form attached hereto as Exhibit Q;

(g) Legal and regulatory matters agreement substantially in the form attached hereto as Exhibit R;

(h) Officer services agreement substantially in the form attached hereto as Exhibit S;

(i) Intercompany indemnification agreement for wildfire liabilities substantially in the form attached hereto as Exhibit T; and

(j) such other agreements in form and substance reasonably satisfactory to PG&E and the Company as may be required for the period following the Closing.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PG&E

PG&E represents and warrants to the Company as of the date of this Agreement that, except as set forth on the Disclosure Schedules:

4.1. Organization and Existence. PG&E is a corporation duly incorporated, validly existing and in good standing under the laws of the State of California. PG&E has all requisite corporate power and authority to carry on its business as presently conducted and to own or lease and operate its properties and assets now owned or leased and operated by it, and to consummate the Contemplated Transactions to be performed by it.

4.2. Execution, Delivery and Enforceability. PG&E has all requisite corporate power and authority to enter into and carry out its obligations under this Agreement and each of the Conveyance Documents to which it is a party. The execution, delivery and performance by PG&E of this Agreement and each of the Conveyance Documents, and the consummation of the Contemplated Transactions, have been duly authorized by all corporate action required on the part of PG&E. Each of this Agreement and each Conveyance Documents has been duly and validly executed and delivered by PG&E and constitutes the valid and legally binding obligation of PG&E, enforceable against PG&E in accordance with its terms, except as such enforceability may be limited or denied by (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights and the enforcement of debtors' obligations generally and (b) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law (clauses (a) and (b), the "Enforceability Exceptions").

4.3. No Violation. None of the execution and delivery of this Agreement or the Conveyance Documents, the performance or compliance with any provision hereof or thereof, or the consummation of the Contemplated Transactions will:

(a) violate, or conflict with, or result in a breach of any provision of the Organizational Documents of PG&E;

(b) subject to Section 4.4, violate any Law or require the material modification of any Law, presently in effect that PG&E is required to comply with to own, lease or operate the Generation Assets, other than where such violation or material modification would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect;

(i) except as set forth on Schedule 4.3(b)(i) to the Knowledge of PG&E, violate, result in the termination of, or require the material modification of any Permit, other than where such violation, termination, or material modification would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect;

(ii) except as set forth in Schedule 4.3(b)(ii), require any Consent or prior notice to any third party, other than where the failure to obtain such Consent or give such prior notice would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect; or

(iii) result in the creation or imposition of any Lien, other than Permitted Liens, upon any of the Generation Assets, or a breach of, or constitute a default under, or give to any other Person any right of termination, amendment, acceleration or cancellation of any agreement to which PG&E is a party that would affect the Generation Assets or the Generation Business, other than where such creation or imposition of a Lien, breach or default or right of termination, amendment, acceleration or cancellation would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

4.4. Energy Industry Regulations.

(a) The Contemplated Transactions are authorized by the CPUC Order and CPUC Advice Letter Approval, which are in full force and effect. The CPUC Order, after giving effect to the CPUC Advice Letter Approval, is in full force and effect.

(b) The FERC Approvals, which are in full force and effect, have been obtained.

(c) PG&E has obtained the CEC Approval.

(d) PG&E has obtained FCC Approval.

4.5. Compliance with Law. Since the Lookback Date and to the extent related to the Generation Business or the Generation Assets: (a) the Generation Business is and has been in compliance with all applicable Laws; (b) no notice, charge, claim, action or assertion has been filed, commenced or threatened in writing, or to the Knowledge of PG&E orally, against PG&E or the Generation Business alleging any noncompliance or violation of any applicable Law; and

(c) to Knowledge of PG&E, no investigation with respect to any noncompliance or violation of any applicable Law by PG&E or the Generation Business has been commenced and remains unresolved, except, in each case, as would not be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect.

4.6. No Litigation. There is no Action against PG&E (to the extent related to the Generation Business), and to PG&E's Knowledge, there is no Action threatened in writing against PG&E (to the extent related to the Generation Business or the Generation Assets), which would, if adversely determined, reasonably be likely to have, individually or in the aggregate, a Material Adverse Effect, other than with respect to proceedings relating to the Regulatory Approvals prior to the issuance or receipt thereof. There is no unsatisfied judgment, penalty or award against PG&E (to the extent related to the Generation Business or the Generation Assets), except as would not be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect.

4.7. Permits

(a) Schedule 4.7(a) sets forth the Permits material to the ownership, operation and maintenance of the Generation Assets and Generation Business.

(b) Except as set forth on Schedule 4.7(b), PG&E has obtained and properly maintained all Permits necessary for the ownership or lease of the Generation Assets and operation of the Generation Business and all such Permits are in full force and effect, other than, in each case, such Permits with respect to which the failure to obtain or properly maintain such Permit would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. To the Knowledge of PG&E, PG&E has not received any written notice (a) of noncompliance or default with respect to any Permit or (b) of the revocation, termination, or material modification of any Permit, in each case, that would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

4.8. Water Rights. PG&E has title or the ownership or regulatory rights, as applicable, to the Water Rights free and clear of all other interests or Liens other than Permitted Liens.

4.9. Real Property.

(a) Schedule 4.9(a) sets forth (i) for each Generation Facility (other than the Hydroelectric Facilities), whether such Generation Facility is located on Owned Generation Real Property, Leased Generation Real Property, or Generation Rights-of-Way, or combination thereof and (ii) for the Generation Real Property associated with any Hydroelectric Facility, a list of the parcel numbers and the approximate acreage of such parcel. Except as set forth on Schedule 4.9(a) or as would not reasonably be expected to have a Material Adverse Effect, (a) PG&E owns good and marketable fee title to all Owned Generation Real Property, (b) PG&E holds a valid and subsisting leasehold interest in the Leased Generation Real Property, and (c) PG&E's rights with respect to the Generation Rights-of-Way are valid and subsisting, in each case, free and clear of all Liens other than Permitted Liens. PG&E has not leased or otherwise granted to any Person rights to use or occupy any of the Generation Real Property that impairs, or would reasonably be expected to impair, in any material respect the value, use or occupancy of the Generation Real

Property by the Company. Except as set forth on Schedule 4.9(a), PG&E has not granted any options or rights of first refusal to purchase any Owned Generation Real Property.

(b) Each of the Third Party Use Agreements is a legal, valid and binding obligation of PG&E and, to the Knowledge of PG&E, each other party thereto, and is in full force and effect and enforceable in accordance with its terms, except (i) as such enforceability may be limited by the Enforceability Exceptions, or (ii) where such failure to be valid, binding, enforceable or in full force and effect would not reasonably be expected to have a Material Adverse Effect. PG&E is not in breach or violation of any Third Party Use Agreements, Generation Real Property Leases, or Property Rights Agreements and, to the Knowledge of the PG&E, no other party to any such Third Party Use Agreements, Generation Real Property Lease or Property Rights Agreement is in breach or violation of any such Third Party Use Agreements, Generation Real Property Leases or Property Rights Agreements, except in each case for any such breaches or violations that would not reasonably be expected to have a Material Adverse Effect.

(c) Except as set forth on Schedule 4.9(c), PG&E has not received written notice of an existing or pending condemnation, eminent domain or similar proceeding pertaining to any of the Generation Real Property that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(d) To the Knowledge of PG&E, local zoning ordinances, general plans and other applicable governmental land use regulations (in each case to the extent binding on PG&E) and all private covenants, conditions and restrictions, if any, pertaining to any Owned Generation Real Property permit the use and operation of such Owned Generation Real Property for its current use, except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Except as set forth on Schedule 4.9(d), PG&E has not received written notice of any current uncured violation of any Governmental Order or pending or threatened proceedings for the rezoning of any Generation Real Property or any portion thereof, or the taking of any other action by Governmental Authority with respect to such Generation Real Property that would materially hinder or prevent the use thereof for its current use, except as would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

4.10. Title and Condition; Sufficiency of Assets.

(a) PG&E has good and valid title to (or a valid leasehold interest in or license to) all of the Generation Assets (except for real property interests), free and clear of any Liens (except for Permitted Liens). Subject to the Consents listed on Schedule 4.10(a), PG&E has the ability to transfer, convey and assign to the Company good and valid title to the owned Generation Assets and the right to use leased or licensed Generation Assets, in each case free and clear of all Liens (except for Permitted Liens). The Tangible Personal Property is in good condition and repair (subject to normal wear and tear), is useable in the ordinary and usual course of business consistent with past custom and practice.

(b) Subject to PG&E's provision of materials and services pursuant to the Intercompany Agreements and its retention of equipment and property specifically delineated as Excluded Assets, the Generation Assets constitute all of the assets necessary to conduct the

Generation Business in all material respects in the manner conducted by PG&E as of the date of this Agreement.

4.11. Material Assigned Contracts.

(a) Schedule 4.11(a) contains a true, correct and complete list of all material Assumed Contracts (the "Material Assigned Contracts") and amendments and supplements thereto to which PG&E is a party and to which the Generation Assets are subject (other than any real property interests). PG&E has paid, or caused to be paid, all amounts currently due and payable by it with respect to each Material Assigned Contract, and PG&E is not in default of any material obligation therein. There are no facts or circumstances which with notice, the passage of time or both could constitute a breach or default by PG&E or, to the Knowledge of PG&E, any counterparty under any of such Material Assigned Contracts that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) All Material Assigned Contracts listed on Schedule 4.11(b) are in full force and effect, are valid and binding, and enforceable by PG&E and, to the Knowledge of PG&E, the other parties thereto in accordance with their respective terms, except as such enforceability may be limited by the Enforceability Exceptions.

(c) PG&E has not received written notice from a counterparty to any Material Assigned Contract (i) alleging any material breach or default by PG&E under such Material Assigned Contract; (ii) alleging the invalidity or unenforceability of or its right of termination or rescission with respect to, such Material Assigned Contract; or (iii) of any intention to exercise (other than in the normal course of performance) any right or remedy exercisable upon a breach or default under such Material Assigned Contract.

(d) Except for any agreements or arrangements set forth on Schedule 4.11(d), no manager, officer, director, or employee of PG&E is a counterparty to any Material Assigned Contract.

(e) All contractual agreements or arrangements material to the operation of the Generation Business (other than with respect to the Generation Real Property) are included, collectively, within the Material Assigned Contracts and the Intercompany Agreements.

4.12. Insurance.

(a) Schedule 4.12(a) lists and briefly describes each insurance policy maintained with respect to the Generation Assets or the Generation Business. All such insurance policies are in full force and effect and, subject to payment of annual premiums, will continue in full force and effect following the Closing. With respect to events and circumstances occurring on and prior to the Closing Date, such insurance policies allow for PG&E (and its successors, including the Company) to recover insurance proceeds following the Closing for covered losses with respect to the Generation Assets and the Generation Business. PG&E has not defaulted with respect to its obligations under any insurance policies or been denied insurance coverage with respect to the Generation Assets or the Generation Business.

(b) Other than as described on Schedule 4.12(b), all premiums due and payable under any insurance policy referred to in Schedule 4.12(a) have been paid, and PG&E has not received any notice regarding the cancellation, termination or discontinuance of any insurance policy referred to in Schedule 4.12(a)

(c) PG&E has bound, with a reputable insurance broker insurance policies covering the Company in the amounts set forth on Schedule 4.12(c).

4.13. Employees and Employee Benefit Plans; Labor.

(a) PG&E does not maintain, does not contribute to, is not required to contribute to and is not a party to any "welfare" plan, fund or program (within the meaning of Section 3(1) of ERISA), any profit sharing, stock bonus or other "pension" plan, fund or program (within the meaning of Section 3(2) of ERISA) or other plan, program, policy agreement or other arrangement providing for retirement, compensation, severance, welfare or other employee benefits (an "Employee Benefit Plan"), and no circumstance exists which would be reasonably be expected to result in a Material Adverse Effect with respect to any Employee Benefit Plan maintained by PG&E.

(b) Schedule 4.13(b) sets forth a complete and accurate list of all individuals who will be employed directly by PG&E as of the Closing Date, stating each such employee's job title.

4.14. Environmental Matters. Except as set forth in Schedule 4.14 or as would not reasonably be likely to have, individually or in the aggregate, a Material Adverse Effect:

(a) Since the Lookback Date, the Generation Business has been in compliance with all applicable Environmental Laws, which compliance includes the possession of all material Permits required under Environmental Laws to own the Generation Assets and operate the Generation Business ("Environmental Permits"), and with the terms and conditions thereof;

(b) There is no pending or, to PG&E's Knowledge, threatened Environmental Claim with respect to the Generation Business or the Generation Assets (other than in the ordinary course of business for the Generation Business or the Generation Assets);

(c) There are no Governmental Orders at the Closing pursuant to Environmental Laws with respect to the Generation Business or the Generation Assets; and

(d) There have been no Releases of Hazardous Substances on, at, under or migrating from any of the real property owned or operated by PG&E in connection with the Generation Business that would reasonably be expected to result in liability for the Company.

Notwithstanding anything to the contrary in this Agreement, the representations and warranties in this Section 4.14 are PG&E's sole and exclusive representations and warranties with respect to Environmental Laws, Environmental Permits, environmental matters and any obligations or liabilities arising under or with respect to any of the foregoing.

4.15. Data Privacy; Cybersecurity.

(a) Solely to the extent related to the Generation Business, PG&E has and, to the Knowledge of PG&E, with respect to the Processing of Personal Data on PG&E's behalf, its Data Processors have, since the Lookback Date, complied in all material respects with all applicable Generation Business Privacy Policies and Privacy Laws. To the extent required by Privacy Laws or Generation Business Privacy Policies and solely to the extent related to the Generation Business, (i) Personal Data is Processed by PG&E and its Data Processors in an encrypted manner, and (ii) Personal Data is securely deleted or destroyed by PG&E and its Data Processors. Solely to the extent related to the Generation Business, neither the execution, delivery or performance of this Agreement nor any of the other transaction documents contemplated by this Agreement, nor the consummation of the Contemplated Transactions violate any Privacy Laws or Generation Business Privacy Policies. Where PG&E uses a Data Processor to Process Personal Data used in the Generation Business, the Data Processor has provided guarantees, warranties or covenants in relation to Processing of Personal Data, confidentiality, security measures and has agreed to comply with those obligations in a manner sufficient for PG&E's compliance with Privacy Laws.

(b) PG&E has established an Information Security Program with respect to the Generation Business, and since the Lookback Date there have been no violations of the then-current Information Security Program. PG&E has tested its respective Information Security Programs on a no less than annual basis and remediated all critical, high and medium risks and vulnerabilities. The IT Systems used by the Generation Business that are currently owned or controlled by PG&E are in good working condition, operate and perform as necessary to conduct the Generation Business and, to the Knowledge of PG&E, do not contain any malicious code. All Generation Business Data will continue to be available for Processing by the Generation Business immediately following the Closing on substantially the same terms and conditions as existed immediately before such Closing. PG&E is not in material breach or default of any contractual obligation relating to its IT Systems or to Generation Business Data used by or related to the Generation Business and PG&E does not transfer Personal Data used by the Generation Business internationally except where such transfers comply with Privacy Laws and Generation Business Privacy Policies.

(c) Since the Lookback Date and solely to the extent related to the Generation Business, PG&E and, to the Knowledge of PG&E, its Data Processors, have not suffered a Data Breach, have not been required to notify any Person or Governmental Authority of any Data Breach, and have not been adversely affected by any malicious code or denial-of-service attacks on any IT Systems. Since the Lookback Date and solely to the extent related to the Generation Business, none of PG&E nor any third party acting at the direction or authorization of PG&E has paid any perpetrator of any actual or threatened Data Breach or cyber-attack, including a ransomware attack or a denial-of-service attack. Since the Lookback Date and solely to the extent related to the Generation Business, PG&E has not received a written notice (including any enforcement notice), letter, or complaint from a Governmental Authority or any Person alleging noncompliance or potential noncompliance with any Privacy Laws or Generation Business Privacy Policies and PG&E has not been subject to any proceeding relating to noncompliance or potential noncompliance with Privacy Laws or the Processing of Personal Data used in the Generation Business.

4.16. Taxes. Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (i) all Tax Returns required to be filed with respect to the Generation Assets have been timely filed (taking into account extensions), all such Tax Returns are correct and complete and all Taxes required to be paid with respect to the Generation Assets (whether or not shown as due on such Tax Returns) have been timely paid, (ii) there are no audits, claims or assessments regarding Taxes pending or, to PG&E's Knowledge, threatened against the Generation Assets and (iii) the Generation Assets have not been subject to any claim made in writing by any Governmental Authority in a jurisdiction where Tax Returns with respect to the Generation Assets have not been filed to the effect that the Generation Assets may be subject to material Taxes in that jurisdiction.

4.17. Intellectual Property. Schedule 4.17 sets forth the types of Intellectual Property Rights that are included in the Intangible Personal Property. No material Intellectual Property Rights, other than such Intellectual Property Rights set forth on Schedule 4.17, are currently used by PG&E to conduct the Generation Business as conducted by PG&E as of the Closing Date.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, PG&E EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE GENERATION ASSETS OR THE PROSPECTS (FINANCIAL AND OTHERWISE), RISKS AND OTHER INCIDENTS OF THE GENERATION ASSETS AND PG&E SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE GENERATION ASSETS, OR AS TO THE WORKMANSHIP THEREOF, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, OR COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS, OR AS TO THE CONDITION OF, OR PG&E'S RIGHTS IN, OR ITS TITLE TO, THE GENERATION ASSETS, OR ANY PART THEREOF, OR WHETHER PG&E POSSESSES SUFFICIENT REAL PROPERTY OR PERSONAL PROPERTY INTERESTS TO OWN OR OPERATE THE GENERATION ASSETS OR TO CONVEY THE GENERATION ASSETS. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, PG&E FURTHER SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY REGARDING THE ABSENCE OF HAZARDOUS SUBSTANCES OR LIABILITY OR POTENTIAL LIABILITY ARISING UNDER ENVIRONMENTAL LAWS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, PG&E EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF ANY KIND REGARDING THE CONDITION OF THE GENERATION ASSETS OR THE SUITABILITY OF ANY FACILITY FOR OPERATION IN GENERATING ELECTRICITY AND NO SCHEDULE OR EXHIBIT TO THIS AGREEMENT, NOR ANY OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATIONS MADE BY PG&E, WILL CAUSE OR CREATE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE GENERATION ASSETS.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants as of the date of this Agreement that:

5.1. Organization. The Company is a limited liability company validly existing and in good standing under the laws of the State of Delaware. The Company has all requisite power and authority to enter into this Agreement and the other agreements, documents and instruments contemplated hereby to be executed and delivered by the Company at Closing and to consummate the Contemplated Transactions to be performed by it.

5.2. Execution, Delivery and Enforceability. The Company has all requisite power and authority to enter into and carry out its obligations under this Agreement and each of the Conveyance Documents to which it is a party. The execution, delivery and performance by the Company of this Agreement and each of the Conveyance Documents, and the consummation of the Contemplated Transactions, have been duly authorized by all action required on the part of the Company. Each of this Agreement and each Conveyance Documents has been duly and validly executed and delivered by the Company and constitutes the valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by Enforceability Exceptions.

5.3. No Breach. The execution and delivery by the Company of this Agreement does not, and the consummation by the Company of the Contemplated Transactions does not (a) subject to Section 4.4, violate or conflict with any applicable Law or Governmental Order or (b) result in a breach of any of the provisions of, or constitute a default under, any provision of the Company's Organizational Documents.

ARTICLE VI
AGREEMENTS REGARDING GENERATION ASSETS

6.1. Delayed Transfer of Certain Generation Assets and Generation Liabilities.

(a) Notwithstanding anything in this Agreement to the contrary, PG&E shall not be obligated to contribute, assign, transfer, convey or deliver to the Company (i) any Generation Asset until such time as all Legal Impediments are removed or all Consents necessary for the legal transfer and assumption thereof are obtained or delivered in respect of such Generation Asset (the "Delayed Generation Assets"; all Delayed Generation Assets as of the Closing are set forth on Schedule 6.1(a)(i)) and (ii) any liabilities related to such Delayed Generation Assets (the "Delayed Generation Liabilities"; all Delayed Generation Liabilities as of the Closing are set forth on Schedule 6.1(a)(ii)); provided that, for all purposes of this Section 6.1, if, for any Generation Asset, applicable Law permits the contribution, assignment, transfer, conveyance or delivery without any other removal of any Legal Impediment or the obtaining or delivering of any such Consent, then such Generation Asset shall be deemed to be contributed, assigned, transferred conveyed and delivered as of the Closing Date without such separate removal of any such Legal Impediment or such separate obtaining or delivery of any such Consent. For all purposes hereof, unless otherwise waived in writing by PG&E or transferred to the Company as provided in this Section 6.1, "Generation Assets" shall not include any Delayed Generation Asset and "Generation Liabilities" shall not include any Delayed Generation Liability until all Legal Impediments are removed and all Consents necessary for the legal transfer or assumption thereof are obtained or delivered in respect of such Delayed Generation Asset or Delayed Generation Liability.

(b) To the extent there are any Delayed Generation Assets following the Closing, PG&E shall use commercially reasonable efforts to preserve and maintain such Delayed Generation Assets in all material respects, and shall be responsible for the operation and maintenance of the Delayed Generation Assets and the Delayed Generation Liabilities.

(c) Following the Closing, PG&E and the Company shall, as soon as reasonably practicable, use commercially reasonable efforts to remove all Legal Impediments and obtain all Consents necessary for the transfer of any Delayed Generation Asset or the assumption of any Delayed Generation Liability. At such time and on each occasion after the Closing Date that a Legal Impediment is removed or a Consent is obtained, as applicable, with respect to each Delayed Generation Asset, PG&E shall promptly contribute, assign, transfer, convey or deliver to the Company, and the Company shall assume such Delayed Generation Asset, and the Company shall assume all related Delayed Generation Liabilities, and in connection therewith, shall execute and deliver such further documents, instruments, conveyances or assurances as necessary to give effect to such contribution, assignment, transfer, conveyance or delivery.

(d) Following such transfer of such Delayed Generation Asset, or the assumption of such Delayed Generation Liability, such Delayed Generation Asset or Delayed Generation Liability shall be treated for all purposes of this Agreement as a "Generation Asset" or as a "Generation Liability" as of the date of transfer or assumption, as the case may be, and shall no longer be a "Delayed Generation Asset" or a "Delayed Generation Liability".

6.2. Generation Assets on PG&E Property.

(a) Schedule 6.2(a) sets forth the types of assets that are located on real property owned by PG&E, real property leased by PG&E, or other real property interests held by PG&E, which assets may be necessary for the operation of the Generation Business after the Closing.

(b) From and after the Closing, PG&E and the Company shall enter into easements, leases or other agreements providing the Company the rights necessary for the operation, maintenance and monitoring of the applicable Generation Assets.

6.3. Subdivision of PG&E Retained Land.

(a) Schedule 6.3(a) sets forth a description of certain parcels of land owned by PG&E on which both a Generation Facility (the "Subdivision Parcels") and assets of a facility unrelated to the Generation Business (the "Retained Land") are located, and with respect to which the portions that are used in connection with the Generation Business and such other line of business do not constitute separate legal lots. PG&E agrees that, after the Closing, PG&E shall use its diligent efforts to cause the Subdivision Parcels to be subdivided into separate legal lots from the remaining Retained Land (the "Subdivisions"). The Company agrees to cooperate with PG&E in obtaining the necessary approvals and PG&E will be responsible for the third party costs for such Subdivision, including third party surveying, engineering legal and filing fees. Upon the recordation of the Subdivision for each Subdivision Parcel, PG&E shall convey fee title to such Subdivision Parcel to the Company in accordance with the terms and provisions of this Agreement, subject to the reservations set forth in the Grant Deed and Reservation of Easements for such Subdivision Parcel and the Company will agree to the extinguishment of the easements or the

cancellation of the lease, at no cost, granted to the Company or entered into with the Company, as applicable for the use of the Subdivision Parcels on and after the Closing Date.

(b) Until any Subdivision is recorded and the Subdivision Parcel is conveyed to the Company, such Subdivision Parcel shall constitute a Delayed Generation Asset pursuant to Section 6.1 above; provided, however, that, until such time, the Company shall have the right to access the Subdivision Parcel to operate, maintain and monitor any Generation Assets that are located on such Subdivision Parcel.

6.4. Generation Business Records.

(a) After the Closing Date, PG&E shall maintain the Generation Business Records on behalf of the Company. PG&E shall maintain the Generation Business Records in accordance with all applicable PG&E policies and guidelines governing the maintenance of books and records and in accordance with applicable Law.

(b) After the Closing Date and until such time as may be required by applicable Law, upon any reasonable request from the Company or its Representatives, PG&E shall (a) provide to the requesting party reasonable access to such portion of the Generation Business Records being requested during normal business hours and (b) permit the requesting party to make copies of such Generation Business Records, in each case at the cost of the requesting party or its Representatives; provided, however, that nothing herein shall require either party to take any action or provide any access pursuant to this Section 6.4(b) if doing so would (i) reasonably be likely to jeopardize the attorney-client privilege or other legal privilege, or (ii) contravene any applicable Law, fiduciary duty or binding agreement (it being understood that PG&E shall cooperate in any reasonable efforts and requests for waivers that would enable otherwise required disclosure to the Company to occur without so jeopardizing privilege or contravening such Law, duty or agreement). The Company or its Representatives may request such Generation Business Records under this Section 6.4(b) for any purpose in connection with any matter relating to or affected by the Generation Business, including in connection with the audit, accounting, financial reporting, tax, litigation or other similar needs of the Company.

(c) After the Closing, PG&E shall preserve until such time as may be required by applicable Law, all Generation Business Records relating to the period prior to the Closing possessed by PG&E to the extent relating to the Generation Business.

(d) Following the Closing, PG&E and the Company agree to provide to each other and to instruct their respective Related Persons and Representatives to provide to PG&E or the Company, as applicable, such cooperation and assistance and such information as may be reasonably requested upon reasonable advance written notice in connection with the audit, accounting, financial reporting, tax, litigation, federal, foreign or state securities law disclosure or other similar needs of such requesting party; provided, that such cooperation and assistance shall be provided at the requesting party's expense.

ARTICLE VII
POST-CLOSING AGREEMENTS

7.1. Environmental Matters.

(a) PG&E's Remediation Obligations

(i) PG&E agrees to undertake any Remediation relating to the matters set forth on Schedule 7.1(a)(i) (the "Known Pre-Closing Environmental Matters"), and to continue such Remediation until PG&E has achieved Completion. "Completion" means, with respect to any Known Pre-Closing Environmental Matter:

(A) PG&E has received written notice that no additional Remediation of such Known Pre-Closing Environmental Matter is required at that time from the Governmental Authority exercising jurisdiction under Environmental Laws over the Remediation of such Known Pre-Closing Environmental Matter; or

(B) PG&E has reasonably determined that no additional Remediation of such Known Pre-Closing Environmental Matter is required by Environmental Law, and (x) if applicable, the Governmental Authority exercising jurisdiction under Environmental Laws over the Remediation of such Known Pre-Closing Environmental Matter has failed to respond within a reasonable period of time to PG&E's request for written notice that no additional Remediation is required, and (y) no written notice requiring additional Remediation has been received from any other Governmental Authority exercising jurisdiction over the applicable Generation Real Property under Environmental Laws

(ii) Notwithstanding the foregoing, if: (1) a Governmental Authority with jurisdiction over the applicable Generation Real Property under Environmental Laws requires Remediation of a Completed Environmental Matter; and (2) such Remediation is required solely because of a change in the Environmental Laws that existed on the date of the Closing, that Completed Environmental Matter will be deemed to be a Known Pre-Closing Environmental Matter from and after the date of such change in the Environmental Laws, until Completion is achieved with respect to such Known Pre-Closing Environmental Matter.

(iii) PG&E's agreement under this Section 7.1(a) to undertake certain Remediation until PG&E has achieved Completion is subject to the following:

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

(B) PG&E will avoid, to the extent reasonably practicable and consistent with sound remediation practices, proposing to a Governmental Authority with jurisdiction over the Generation Real Property under Environmental Laws a method for achieving Completion that will materially decrease the economic value of a Generation Asset.

(C) The Company understands that the Remediation may interfere with the use of the Generation Real Property after the Closing. PG&E will, to the extent

reasonably practicable and consistent with sound remediation practices, undertake the Remediation in a manner that will not unreasonably disrupt operations on the Generation Real Property.

(D) After the completion of any Remediation, PG&E will make commercially reasonable efforts to restore the surface to a condition substantially similar to that existing at the time immediately prior to any such Remediation, provided that no Person (other than PG&E) has taken actions at the applicable Generation Real Property so as to make such restoration impracticable or not commercially reasonable under the circumstances.

(b) Company Agreements Regarding PG&E's Remediation Obligations.

(i) In addition to any other licenses or easements granted by the Company or retained by PG&E in respect of the Generation Real Property, the Company will grant PG&E a non-exclusive license substantially in the form of Exhibit U attached hereto (the "Remediation License"), as needed for the purpose of conducting Remediation of the Known Pre-Closing Environmental Matters, subject to the terms and conditions of this Agreement. The Company agrees that it will comply, and will cause other Persons (other than PG&E, its Related Persons or their respective representatives) at the Generation Real Property to comply, with any requirements, directives, instructions, or plans issued by PG&E for the purpose of protecting the health and safety of Persons on the applicable Generation Real Property during Remediation activities conducted on or in the vicinity of the Generation Real Property.

(ii) The Company acknowledges that PG&E will have sole responsibility for undertaking the Remediation of the Known Pre-Closing Environmental Matters and therefore the Company will not initiate or permit the initiation of any Remediation of the Known Pre-Closing Environmental Matters, or submit, or cause to be submitted, orally or in writing, any information or comments to any Governmental Authority concerning the Known Pre-Closing Environmental Matters or Remediation thereof (other than documents or information routinely and customarily submitted to such Governmental Authority) without the prior written consent of PG&E, unless in the reasonable judgment of the Company such actions are required by Environmental Laws or to protect the immediate health and safety of individuals in the vicinity of the Generation Real Property.

(iii) The Company will assign to PG&E any and all right, claim or interest which the Company may have to payment or reimbursement by any Person in connection with any Known Pre-Closing Environmental Matters or the Remediation thereof.

(iv) The Company will execute any waivers, applications, consents, affidavits, permits, deeds and other documents, as requested by PG&E, in furtherance of PG&E's Remediation of the Known Pre-Closing Environmental Matters.

(v) The Company will accept engineering and/or institutional controls, including any restrictions in deeds relating to the use of the Generation Real Property, and execute any documents as requested by PG&E to effectuate the use of such controls, in furtherance of PG&E's Remediation of the Known Pre-Closing Environmental Matters, except

to the extent that such institutional or engineering controls will have a material adverse impact on the Company's operation of the Generation Assets at said property.

7.2. Land Conservation Commitment.

(a) The Company acknowledges that PG&E has informed the Company of the following:

(i) PG&E is a party to that certain Settlement Agreement as modified and approved by the CPUC in its Opinion and Order of December 18, 2003 (Decision 03-12-035) (the "Settlement Agreement"), pursuant to which PG&E agreed to conserve and protect approximately one hundred forty thousand (140,000) acres of watershed lands, all owned by PG&E (the "Watershed Lands"), all of which are included in the Owned Generation Real Property, for a broad range of beneficial public values (the "Land Conservation Commitment").

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

(iii) The Settlement Agreement provides that the Watershed Lands will be (A) subject to permanent conservation easements restricting development of the lands so as to protect and preserve their beneficial public values, or (B) made available for fee simple donation to public entities or qualified non-profit conservation organizations whose ownership will ensure the protection of beneficial public values; provided, that PG&E is not expected to make fee simple donations of Watershed Lands that contain Generation Assets or assets of PG&E, or a joint licensee's, hydroelectric project works.

(iv) In accordance with the LCC Documents, PG&E created the Pacific Forest and Watershed Lands Stewardship Council, a California non-profit public benefit corporation (the "Stewardship Council"), to oversee development and implementation of the Land Conservation Commitment. The Stewardship Council subsequently developed a Land Conservation Plan (the "LCP") establishing a set of objectives to preserve or enhance the beneficial public values identified on each parcel of the Watershed Lands.

(v) The Conservation Easements were entered into in furtherance of the Land Conservation Commitment and PG&E's obligations pursuant to the LCC Documents.

(vi) PG&E desires, through this Agreement and the other agreements to be entered into pursuant hereto, to ensure the permanent protection of the beneficial public values on the Watershed Lands as identified in the LCP while allowing the ongoing use of the Watershed Lands for hydroelectric operations, water delivery and other related activities.

(b) The Company acknowledges that the Conservation Easements are Permitted Liens that run with the title of the Watershed Lands and bind all future owners, including the Company. The Company agrees to comply with the Conservation Easements and the Land

Conservation Commitment, including all obligations associated with donations of lands to public agencies and non-profit organizations. On the Closing Date, if there are donation transactions that have been approved by the Stewardship Council that are not yet completed, PG&E shall amend or withdraw any advice letters or applications pending before the CPUC or FERC, and the Company shall modify the transaction agreements to reflect the change in ownership and resubmit such advice letters or applications to effectuate the donation transactions. For contemplated donation transactions where no filings have yet been made, the Company shall assume the responsibility to complete such transactions and submit the necessary advice letters or applications to effectuate the transactions.

(c) The Company acknowledges that the Conservation Easements run with the title of the property and bind all future owners. PG&E and the Company have, in connection with the Closing, entered into the Conservation Easement Assignment and Assumption Agreements, in the form attached hereto as Exhibit K, with the Company and all holders of the Conservation Easements as part of this transaction to ensure full transparency, acknowledgement, and commitment by all parties to comply with the terms of the Conservation Easements. The Conservation Easement Assignment and Assumption Agreement is not legally required by the Conservation Easements or the Land Conservation Commitment, but is provided to demonstrate mutual assent by PG&E, Company, and the holders of the Conservation Easement to the ongoing conservation requirements. PG&E will record such Conservation Easement Assignment and Assumption Agreements in each applicable county on or promptly following the Closing Date immediately after the recording of the applicable Grant Deeds and Reservation of Rights. PG&E shall bear the cost of the recording fees for recordation of the Grant Deeds and Reservation of Rights and the Conservation Easement Assignment and Assumption Agreements.

7.3. Wrong Pockets.

(a) If and to the extent that it is determined after Closing that legal title to or beneficial or other interest in all or part of any Excluded Asset or Retained Liability has been transferred to the Company, Company shall, promptly upon the request of PG&E (and at PG&E's expense), (x) execute all such agreements, deeds or other documents as may be necessary for the purposes of transferring such assets or liabilities (or part thereof) or the relevant interests in them back to PG&E, (y) complete all such further acts or things as PG&E may reasonably direct in order to transfer such assets or liabilities or the relevant interests in them back to PG&E and (z) hold the asset (or part thereof), or relevant interest in the asset, on trust for PG&E (to the extent permitted by applicable Law) until such time as the transfer is validly effected to vest the asset (or part thereof) or relevant interest in the asset back to PG&E.

(b) If and to the extent that it is determined after Closing that legal title to or beneficial or other interest in all or part of any Generation Asset or Generation Liability has not been transferred to the Company, PG&E shall, promptly upon the request of the Company (and at PG&E's expense), (x) execute all such agreements, deeds or other documents as may be necessary for the purposes of transferring such assets or liabilities (or part thereof) or the relevant interests in them to the Company, (y) complete all such further acts or things as Company may reasonably direct in order to transfer such assets or liabilities or the relevant interests in them to the Company and (z) hold the asset (or part thereof), or relevant interest in the asset, on trust for Company (to

the extent permitted by applicable Law) until such time as the transfer is validly effected to vest the asset (or part thereof) or relevant interest in the asset back to PG&E.

7.4. Access to Information. From the date hereof, at the sole cost and expense of the Company, PG&E will (a) give the Company and its Representatives reasonable access, upon reasonable notice and during business hours, to the offices, properties, books and records relating to the Generation Assets and Generation Liabilities, (b) furnish to the Company and its Representatives such other information relating to the Generation Assets and Generation Liabilities as is reasonably requested and (c) instruct the officers, executives and senior managers of PG&E to reasonably cooperate with Company and its Representatives.

7.5. Confidentiality.

(a) PG&E shall and shall instruct its officers, directors, employees, accountants, advisors, agents, attorneys and other representatives (collectively, "Representatives"), to hold in strict confidence and secrecy, and to not disclose any and all confidential, proprietary and non-public information and materials, whether in written, verbal, graphic or other form, in each case, to the extent concerning the Company, the Generation Business, the Generation Assets or the Generation Liabilities (the "Confidential Information") to any Person (other than the Company or the Company's Related Persons), in each case, except (A) in connection with this Agreement or the transactions contemplated hereby or in connection with any other written agreement between PG&E and the Company, (B) in connection with any Minority Sale Agreement, (C) as requested by the Company, (D) to the extent required by applicable Law or for financial reporting purposes, (E) PG&E may disclose such terms to its Representatives as necessary in connection with the ordinary conduct of its respective businesses (so long as such Persons agree to or are bound by contract to keep the terms of this Agreement and the transactions contemplated hereby confidential).

(b) If PG&E is requested or required (by oral question or request for information or documents in legal proceedings, interrogatories, subpoena, civil investigation demand or similar process) to disclose any Confidential Information, then such disclosing Person shall provide the Company with written notice of such request or requirement to enable the Company to (i) to seek an appropriate protective order or other remedy, (ii) to consult with the disclosing Person with respect to steps taken by the disclosing Person to resist or narrow the scope of such request or requirement and/or (iii) to waive compliance, in whole or in part, with the terms of this Section 7.5(b). If, in the absence of a protective order or the receipt of a waiver under this Section 7.5(b), the disclosing Person is nonetheless, in the reasonable opinion of its counsel, required to disclose such Confidential Information, then the disclosing Person may disclose such Confidential Information without any liability.

7.6. Use of PG&E Name and Logos. The Company shall not use, or permit any Related Person to use, the name "Pacific Gas and Electric", "PG&E" or any name reasonably similar thereto after the Closing Date; provided, however, that (x) the Company shall be permitted to use any entity names that incorporate words included in such names (including, for the avoidance of doubt, the entity name of the Company as of the Closing) and (y) the Company may use such names as part of indicating association with PG&E. Without limitation of the foregoing, after the Closing Date, the Company agrees not to, directly or indirectly, use or authorize any other

person or entity to use the word "Pacific Gas and Electric", "PG&E" or any name reasonably similar thereto (other than a name that is the entity name of the Company), or any Intellectual Property Rights of PG&E (including any variant extension domain name derived from any domain name of PG&E or any domain name with a variant spelling based on, derived from, or reasonably similar to, any such domain name of PG&E), as a corporate or business name, trade name, domain name, trademark or servicemark.

ARTICLE VIII
REMEDIES; INDEMNIFICATION

8.1. Survival. The representations and warranties of the parties herein shall survive until the first anniversary of the Closing, except that the representations and warranties contained in (x) Section 4.1 (Organization and Existence), Section 4.2 (Execution, Delivery and Enforceability) and Section 4.3 (No Violation) and (y) Section 5.1 (Organization), Section 5.2 (Execution, Delivery and Enforceability) and Section 5.3 (No Breach) shall survive until the date that is three (3) years following the Closing Date. Covenants of the parties shall survive until the period stated herein for such covenant and if no period is stated, until the earlier of (i) full performance of such covenant and (ii) thirty days following the date on which the covenant is required to be performed. Notwithstanding the preceding sentences, any covenant, agreement, representation or warranty in respect of which indemnity may be sought under Section 8.2 shall survive the time at which it would otherwise terminate, if notice of the inaccuracy or breach thereof giving rise to such right to indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

8.2. Indemnification.

(a) PG&E shall indemnify the Company and its respective officers, directors, employees and agents (each, including the Company, a "Company Party") against, and shall hold each of them harmless from, any and all damages, claims, debts, actions, assessments, judgments, losses, liabilities, fines, fees, penalties and expenses (including reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding) (collectively, "Losses") incurred or suffered by a Company Party, whether as between a Company Party and PG&E, or a Company Party and a third party, in connection with, resulting from or arising out of:

(i) any misrepresentation, inaccuracy or breach of a representation or warranty made by PG&E pursuant to this Agreement;

(ii) any breach of a covenant or agreement to be performed by PG&E pursuant to this Agreement;

(iii) the failure of PG&E to perform, pay and discharge when due any (x) Retained Liability; (y) obligation or liability of PG&E relating to the Excluded Assets or (z) claim or cause of action by any party against a Company Party with respect to any Retained Liability or Excluded Asset; or

(iv) any Known Environmental Liabilities.

(b) Notwithstanding anything to the contrary herein, if a Company Party incurs or suffers a Loss in connection with, resulting from or arising out of a set of facts for which the Company Party is entitled to indemnification pursuant to Section 8.2(a), and to the extent that the terms of the RWI Policy (as defined in the Minority Sale Agreement) allow for recovery of a Loss to Investor for breach of a Generation Business R&W under the Minority Sale Agreement that is related to the same set of facts as the Loss incurred by the Company Party under the Separation Agreement, then PG&E shall only indemnify the Company Party pursuant to Section 8.2(a) for an amount equal to [●]%[3] of the Losses (the "PG&E Loss Amount") incurred or suffered by such Company Party; provided, however, that PG&E shall not be obligated to indemnify the Company for any such Loss unless Investor[s] has made a claim under such RWI Policy for the Loss to Investor for such breach and confirms in writing to PG&E that it will comply with its obligations under Section 14.3(b) of the A&R LLC Agreement (as defined in the applicable Minority Sale Agreement) in respect of such Loss to Investor.

(c) The Company shall indemnify PG&E and its respective officers, directors, employees and agents (each, including PG&E, a "PG&E Party") against, and shall hold each of them harmless from, any and all Losses incurred or suffered by a PG&E Party, whether as between a PG&E Party and the Company, or a PG&E Party and a third party, in connection with, resulting from or arising out of:

(i) any misrepresentation, inaccuracy or breach of a representation or warranty made by the Company pursuant to this Agreement;

(ii) any breach of a covenant or agreement to be performed by the Company pursuant to this Agreement; or

(iii) the failure of the Company to perform, pay and discharge when due any (x) Generation Liability or (y) claim or cause of action by any party against a Company Party with respect to any Generation Liability.

(d) Determination of Losses.

(i) If, in respect of any Loss of a Company Party subject to indemnification by PG&E pursuant to Section 8.2(a), the Company Party (i) recovers, or reasonably expects to recover, all or a portion of such Loss through the Company's rates or (ii) receives, or reasonably expects to receive, insurance proceeds for all or a portion of such Loss, then the amount of the Loss that the Company Party may claim pursuant to Section 8.2(a) shall be reduced by the net amount of such amounts in recovered in rates or insurance proceeds (the "Recovered Losses").

(ii) In the event that an amount representing Recovered Losses is actually received by a Company Party subsequent to receipt by such Company Party of any indemnification payment by PG&E pursuant to this Section 8.2 in respect of the claims to which such Recovered Losses relate, the Company shall promptly refund PG&E an amount equal to the

[3] NTD: To reflect PG&E's ownership interest in the Company following the closing of the Minority Sale Agreement(s).

Recovered Losses (or, if less, in the amount of applicable indemnification payments previously made to the Company Party by PG&E).

(e) Except as expressly provided herein, no party shall be liable hereunder at any time for consequential, exemplary, indirect, special or punitive damages or any Losses of the other party, whether in contract, tort (including negligence), strict liability or otherwise.

(f) PG&E shall not be liable for any claim for indemnification pursuant to Section 8.2(a) unless and until the aggregate amount of indemnifiable Losses which may be recovered from PG&E equals or exceeds $[●], in which case PG&E shall be liable only for the amount of Losses in excess thereof; provided, that this clause (i) shall not apply to Losses arising out of or relating to the inaccuracy or breach of any Fundamental Representation or in the event of Fraud and (ii) the maximum aggregate amount of indemnifiable Losses which may be recovered from PG&E for Losses arising out of or relating to indemnification claims under this Agreement shall be $[●]; provided, that this clause (ii) shall not limit any claim for Fraud by PG&E.

(g) Notwithstanding anything to the contrary which may be contained herein, the indemnities set forth in this Article VII shall become effective as of the Closing Date. Other than equitable remedies and except in the case of Fraud, from and after the Closing, the indemnities set forth in this Article VII shall be the exclusive remedies of the Company Parties and the PG&E Parties due to the breach or default of any representation, warranty, covenant, agreement or other matters contained in this Agreement. The Company Parties and the PG&E Parties shall not be entitled to a rescission of this Agreement or to any further indemnification rights, breach or damages or claims of any nature whatsoever in respect thereof, all of which such parties hereby waive.

(h) PG&E Cure Period.

(i) In the event that a Company Party discovers an event that gives rise to a claim pursuant to Section 8.2(a), prior to bringing a claim for indemnification pursuant to Section 8.2(i), the Company Party shall promptly deliver to PG&E written notice of such event. Such notice shall describe the event and potential claim in reasonable detail. Upon receipt of such notice, PG&E shall proceed in a reasonably prompt manner to attempt to cure such underlying event, and shall have a period of one hundred twenty (120) days to cure such underlying event; provided, however, that if such event cannot be cured with such 120 day or longer period, the cure period may be extended for such reasonable period as may be required provided that PG&E has commenced and continued to diligently pursue such cure during the 120 day period.

(ii) If, following the termination of the cure period, the Company Party shall incur, or shall have incurred, a Loss, then the Company Party shall seek indemnification for such Loss against PG&E pursuant to this Section 8.2.

(i) Procedure. All claims for indemnification by an Indemnified Party pursuant to this Section 8.2 shall be made in accordance with the provisions of this Section 8.2(i). Whenever any claim shall arise for indemnification hereunder, the party entitled to indemnification (the "Indemnified Party") shall promptly provide written notice of such claim to the other party (the

"Indemnifying Party"). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any action by a Person who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such action, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defense of any such action, the Indemnified Party may, but shall not be obligated to, defend against such action in such manner as it may deem appropriate, including settling such action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations herein provided with respect to any damages resulting therefrom. The Indemnifying Party shall not settle any action without the Indemnified Party's prior written consent, which consent shall not be unreasonably withheld or delayed, unless the settlement or the entry of a judgment (A) provides a complete release of the Indemnified Party for all liability with respect thereto and (B) does not impose any liability or obligation on the Indemnified Party.

8.3. Certain Tax Matters.

(a) The Company shall pay all documentary, sales, use, stamp, registration, value added, business, goods and services, transfer, real property transfer, recording, conveyancing and other such Taxes and fees (including any penalties, interests and additions to Tax with respect thereto) excluding any income or gains Taxes arising from or incurred in connection with the Contemplated Transactions ("Transfer Taxes") when due. PG&E shall, at the Company's expense, prepare and file or cause to be prepared and filed all necessary Tax Returns and other documentation with respect to any such Transfer Taxes, and if required by applicable Law, Company shall join in the execution of any such Tax Returns and other documentation. PG&E and the Company shall cooperate to seek to reduce the amount of any Transfer Taxes incurred, including by providing or obtaining (at the Company's expense) any application exemption certificates with respect to any such Transfer Taxes.

(b) The Company and PG&E shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the preparation and filing of Tax Returns and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the providing of records and information which are reasonably relevant to any such Tax Return, audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

(c) Subject to Section 8.3(a), to the extent it is necessary for purposes of this Agreement to determine the allocation of liability for, or a refund of, Taxes arising from or incurred in connection with the Generation Assets, the Generation Liabilities, the Generation Business and the Contemplated Transactions for a Tax period that begins before and ends on or after the Closing Date (a "Straddle Period"), such allocation shall be determined by assuming the Straddle Period consisted of two taxable years or periods, one which ended at the close of the day prior to the Closing Date, and the other which began at the beginning of the day of the Closing Date, and any Taxes based on or measured by income, gross or net sales, or payments or receipts shall be

allocated between the pre-Closing Date and post-Closing Date portion of such Straddle Period based on an interim closing of the books as of the close of business on the day prior to the Closing Date and any other Taxes shall be allocated between the pre-Closing Date and post-Closing Date portion of such Straddle Period on a per diem basis.

ARTICLE IX
MISCELLANEOUS

9.1. Notices. All notices, requests, consents and other communications under this Agreement must be in writing and shall be deemed to have been duly given and effective (a) immediately (or, if not delivered before 5:00 p.m. San Francisco, California time on a Business Day, the next Business Day) if delivered by electronic mail (with confirmation of transmission) and if a hard copy is delivered by overnight delivery service the next Business Day, (b) on the date of delivery if by hand delivery (with confirmation of receipt) (or, if not delivered on a Business Day, the next Business Day) or (c) on the first Business Day following the date of dispatch (or, if not sent on a Business Day, the next Business Day after the date of dispatch) if sent by overnight service with a nationally recognized overnight delivery service (all fees prepaid). All notices shall be delivered to the following addresses, or such other addresses as may hereafter be designated in writing by a party to the other party:

Notices to PG&E:
Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: William Manheim
E-mail: WVM3@pge.com

with copies (which shall not constitute notice) to:

Munger, Tolles & Olson LLP
350 South Grand Ave, 50th Floor
Los Angeles, California 90071
Attention: Judith Kitano
E-mail: judith.kitano@mto.com

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, NW
Washington, DC 20005
Attention: Pankaj Sinha
E-mail: psinha@skadden.com

Notices to the Company:
Pacific Generation LLC
c/o Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612

Attention: [*President of the Company*]
E-mail: [●]

with a copy (which shall not constitute notice) to:

[●]
Attention: [*General Counsel of the Company*]
E-mail: [●]

9.2. Assignment; Amendment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned (including by operation of law) without the prior written consent of PG&E and the Company. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement or, in the case of a waiver, by each party against whom the waiver is to be effective.

9.3. Severability; Interpretation. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement. Notwithstanding the fact that this Agreement has been drafted or prepared by one of the parties, each of the Company and PG&E confirm that they and their respective counsel have reviewed, negotiated and adopted this Agreement as the joint agreement and understanding of the parties hereto and the language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any Person. The captions used in this Agreement and descriptions of the Disclosure Schedules are for convenience of reference only and do not constitute a part of this Agreement and shall not be deemed to limit, characterize or in any way affect any provision of this Agreement, and all provisions of this Agreement shall be enforced and construed as if no caption or description of the Disclosure Schedules had been used in this Agreement.

9.4. Complete Agreement. This Agreement and the Minority Sale Agreement, together with and any other agreements referred to herein executed and delivered on or after the date hereof, contain the complete agreement among the parties hereto and supersede any prior understandings, agreements or representations by or between such parties, written or oral, which may have related to the subject matter hereof in any way.

9.5. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA (WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF) AS TO ALL MATTERS, INCLUDING MATTERS OF VALIDITY, CONSTRUCTION, EFFECT, PERFORMANCE AND REMEDIES.

9.6. Dispute Resolution.

(a) Intent of the Parties. Except as provided in Section 9.8, the sole procedure to resolve any claim arising out of or relating to this Agreement is the dispute resolution procedure set forth in this Section 9.6. Either party hereto may seek injunctive relief with respect to this Agreement or other provisional judicial remedy in accordance with Section 9.8 if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both parties hereto nonetheless shall continue to pursue resolution of the dispute by means of this procedure.

(b) Management Negotiations.

(i) The parties hereto shall attempt in good faith to resolve any controversy or claim arising out of or relating to this Agreement by prompt negotiations between the authorized representatives for each party hereto, or such other person designated in writing as a representative of the applicable party hereto (each, a "Manager"). Either Manager may request a meeting (such meeting to be held in person or telephonically) to initiate negotiations to be held within ten (10) Business Days of receipt of such request by the other party hereto, at a mutually agreed time and place. If the matter is not resolved within fifteen (15) Business Days of their first meeting ("Initial Negotiation End Date"), the Managers shall refer the matter to the designated senior officers of their respective companies ("Executive(s)"), who shall have authority to settle the dispute. Within five (5) Business Days of the Initial Negotiation End Date ("Referral Date"), each party hereto shall provide one another written notice confirming the referral and identifying the name and title of the Executive who will represent such party.

(ii) Within five (5) Business Days of the Referral Date the Executives shall establish a mutually acceptable location and date, which date shall not be greater than thirty (30) calendar days from the Referral Date, to meet. After the initial meeting date, the Executives shall meet, as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the dispute.

(iii) All communication and writing exchanged between the parties hereto 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 hereto.

(iv) If the matter is not resolved within forty-five (45) calendar days of the Referral Date, or if the party hereto receiving the written request to meet, pursuant to subsection 9.6(b)(i) above, refuses or does not meet within the ten (10) Business Day period specified in subsection 9.6(b)(i) above, either party hereto may initiate mediation of the controversy or claim according to the terms of the following subsection 9.6(c).

(c) Mediation and Arbitration. If the dispute cannot be so resolved by negotiation as set forth in Section 9.6(b) above, it shall be resolved at the request of either party hereto through a two-step dispute resolution process administered by JAMS. As the first step the parties hereto agree to mediate any controversy before a mediator from the JAMS, pursuant to the applicable JAMS commercial mediation rules, in San Francisco, California. Either party hereto may begin mediation by serving a written demand for mediation. The mediator shall not have the authority to require, and neither party hereto may be compelled to engage in, any form of discovery prior to or in connection with the mediation. If within sixty (60) calendar days after service of a written demand for mediation, the mediation does not result in resolution of the dispute, then the

controversy shall be settled by arbitration conducted by a retired judge or justice from JAMS conducted in San Francisco, California, administered by and in accordance with the applicable JAMS commercial arbitration rules ("Arbitration"). The period commencing from the date of the written demand for mediation until the appointment of a mediator shall be included within the sixty (60) day mediation period. Any mediator(s) and arbitrator(s) shall have no affiliation with, financial or other interest in, or prior employment with either party hereto and shall be knowledgeable in the field of the dispute. Either party hereto may initiate arbitration by filing with JAMS a notice of intent to arbitrate within sixty (60) calendar days of service of the written demand for mediation.

(d) Arbitration Procedures.

(i) At the request of a party hereto, the arbitrator shall have the discretion to order depositions of witnesses to the extent the arbitrator deems such discovery relevant and appropriate. Depositions shall be limited to a maximum of three (3) per party hereto and shall be held within thirty (30) calendar 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 six (6) 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 hereto to exchange relevant documents. The arbitrator shall also have discretion to order the parties hereto to answer interrogatories, upon good cause shown.

(ii) Each of the parties hereto shall submit to the arbitrator, in accordance with a schedule set by the arbitrator, offers in the form of the award it considers the arbitrator should make. If the arbitrator requires the parties hereto to submit more than one such offer, the arbitrator shall designate a deadline by which time the parties hereto shall submit their last and best offer. In such proceedings the arbitrator shall be limited to awarding only one of the two "last and best" offers submitted, and shall not determine an alternative or compromise remedy.

(iii) The arbitrator shall have no authority to award punitive or exemplary damages or any other damages other than direct and actual damages and the other damages contemplated by this Agreement.

(iv) 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 by agreement of the parties hereto or by the arbitrator, if necessary. The San Francisco County Superior Court may enter judgment upon any award rendered by the arbitrator. The parties hereto are aware of the decision in Advanced Micro Devices, Inc. v. Intel Corp., 9 Cal. 4th 362 (1994), and, except as modified by this Agreement, intend to limit the power of the arbitrator to that of a Superior Court judge enforcing California law. The prevailing party in this dispute resolution process is entitled to recover its costs and reasonable attorneys' fees.

(v) 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 him.

(vi) Except as may be required by law, neither a party hereto nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties hereto.

9.7. Third-Party Beneficiaries and Obligations. Except as otherwise expressly provided in this Agreement, and without limitation to the rights of the Investor[s] pursuant to the [applicable] Minority Sale Agreement, nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any Person that is not a party hereto any rights or remedies under or by reason of this Agreement or the transactions contemplated hereby.

9.8. Specific Performance; Cumulative Remedies. Each party hereto recognizes and agrees that if it should fail to perform any of its obligations under this Agreement, the remedy at law would be inadequate and agrees that for breach of such provisions, each party will, in addition to such other remedies as may be available to them at law or in equity, be entitled to injunctive relief with respect to this Agreement (including an injunction or injunctions to prevent breaches of this Agreement) and to enforce its rights under this Agreement by an action for specific performance; provided, that each party hereto hereby waives any requirement for the posting of any bond or other surety in connection with any temporary or permanent award of injunctive, mandatory, or other relief. All rights and remedies of the Company under this Agreement, including specific performance remedies, shall be cumulative and the exercise of one or more right or remedies shall not preclude the exercise of any other right or remedy available under this Agreement or applicable Law.

9.9. Bulk Transfer Laws. The Company hereby waives compliance by PG&E with the provisions of any so-called bulk transfer laws (or any similar applicable Law) of any jurisdiction in connection with the contribution of the Generation Assets.

9.10. Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement.

9.11. Usage. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Words denoting any gender shall include all genders. Where a word is defined herein, references to the singular shall include references to the plural and vice versa. A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns. All references to "$" and dollars shall be deemed to refer to United States currency unless otherwise specifically provided. All references to a day or days shall be deemed to refer to a calendar day or calendar days, as applicable, unless otherwise specifically provided. Any reference to any agreement or contract referenced herein or in the Disclosure Schedules shall be a reference to such agreement or contract, as amended, modified, supplemented or waived.

9.12. Counterparts. This Agreement may be executed in multiple counterparts by the parties hereto. All counterparts so executed shall constitute one agreement binding upon all parties, notwithstanding that all parties are not signatories to the original or the same counterpart. Each counterpart shall be deemed an original to this Agreement, all of which shall constitute one agreement to be valid as of the date of this Agreement. Documents executed, scanned and transmitted electronically and electronic signatures shall be deemed original signatures for purposes of this Agreement and all matters related thereto, with such scanned and electronic signatures having the same legal effect as original signatures.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
Name:
Title:

PACIFIC GENERATION LLC

By: _____
Name:
Title:

EXHIBIT A

Bill of Sale

BILL OF SALE

This BILL OF SALE, dated as of _____,_____ (the "Effective Date"), is made by and between Pacific Gas and Electric Company, a California corporation ("Transferor"), and Pacific Generation LLC, a Delaware limited liability company ("Transferee").

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Transferor irrevocably contributes, conveys, assigns, transfers, and delivers to Transferee all its right, title and interest in and to the assets identified in Attachment 1 hereto (the "Bill of Sale Assets").

This Bill of Sale is given pursuant to that certain Separation Agreement, dated as of _____, by and between Transferor and Transferee (the "Separation Agreement"), providing for, among other things, the conveyance of the Bill of Sale Assets from Transferor to Transferee.

Transferee hereby accepts the foregoing sale, conveyance, assignment and transfer and hereby agrees to assume and discharge, in accordance with the terms thereof, all the duties, liabilities and obligations of Transferor relating to the Bill of Sale Assets in accordance with the Separation Agreement. Transferee will be entitled to possession of the Bill of Sale Assets at the location of such assets at the time of the "Closing" (as such term is defined in the Separation Agreement).

This Bill of Sale is made without any covenant, warranty or representation by Transferor of any kind whatsoever, except as expressly set forth in the Separation Agreement, and is made subject to all other terms and conditions of the Separation Agreement.

This Bill of Sale may be executed in any number of counterparts, each of which is an original, but all of which together constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the duly authorized representatives of the undersigned parties have executed and delivered this Bill of Sale as of the Effective Date set forth above.

TRANSFEROR:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Print Name:
Its:

TRANSFEREE:

PACIFIC GENERATION LLC,
a Delaware limited liability company

By: _____
Print Name:
Its:

A [_____] Project Description

[A.1 (thru A.26) - Detailed Description of Generation Development (Hydro)

- Major Waterway(s): Description of Major Rivers, Streams, Creeks.
- Diversion(s): Description of Reservoir(s) (capacity and elevation), Dam(s) (type and dimensions), and Feeder Diversion Facilities.
- Conveyance Facilities: Description of Canal(s), Flume(s), Tunnel(s) (flow capacity, length, types of structures), and Natural Waterway(s).
- Intake(s) & Penstock(s): Description of Intake(s) (dimensions, general descriptions) and Penstock(s) (materials, diameter, length),
- Powerhouse(s): Description of Enclosure(s) (dimensions and floor elevations) and Detailed Descriptions of Powerhouse Equipment (including generation capacity).
- Electric Infrastructure: Description of Electric Transmission and Distribution Powerlines, Switching Stations, Substations, and Other Electric Infrastructure being Transferred with the Development.]

[A.27 (thru A.29) - Detailed Description of Generation Development (Fossil)

- Major Equipment: Description of Major Facility Infrastructure.
- Powerhouse(s): Description of Enclosure(s) (dimensions and floor elevations) and Detailed Descriptions of Powerhouse Equipment (including generation capacity).
- Electric Infrastructure: Description of Electric Transmission and Distribution Powerlines, Switching Stations, Substations, and Other Electric Infrastructure being Transferred with the Development.]

[A.30 (thru A.33) - Detailed Description of Generation Development (Solar)

- Major Equipment: Description of Major Facility Infrastructure.
- Electric Infrastructure: Description of Electric Transmission and Distribution Powerlines, Switching Stations, Substations, and Other Electric Infrastructure being Transferred with the Development.]

B Tangible Personal Property

[B.1 (thru B.26) – Detailed Description of Tangible Personal Property (Hydro)

- Building(s): Desks, Tables, Chairs, Filing Cabinets, Etc.
- Service Yard(s): Lumber, Flume Sheets, Hardware, Batteries, Gravel, Soil, etc.

- Powerhouse(s): Spare Equipment/Parts, Tables, Desks, Chairs, Filing Cabinets, Safety Equipment, etc.

- Canal(s): Thermal Electric Generator/Propane Tank, Radio Transmitting Unit, Solar Panels/Batteries, Shotgun Gate(s) and Telemetry, Float Well Cabinet(s), etc.]

[B.27 (thru B.29) – Detailed Description of Tangible Personal Property (Fossil)

- Building(s): Desks, Tables, Chairs, Filing Cabinets, Etc.

- Service Yard(s): Lumber, Flume Sheets, Hardware, Batteries, Gravel, Soil, etc.]

[B.30 (thru B.33) – Detailed Description of Tangible Personal Property (Solar)

- Building(s): Desks, Tables, Chairs, Filing Cabinets, Etc.

- Service Yard(s): Lumber, Flume Sheets, Hardware, Batteries, Gravel, Soil, etc.]

C Project Records

[C.1 (thru C.26) – Detailed Description of Project Records (Hydro)

- Flow and Generation Records, Equipment Descriptions/History, Equipment Testing Reports and Logbooks (e.g., relay test reports, startup and test data, battery test logbook, etc.), Maintenance Records (including SAP work history), Powerhouse Prints (equipment drawings/diagrams), Other Engineering/Design Drawings, Dam Safety Records (part 12 inspections, etc.), FERC License Compliance Records, Water Rights Records, Land Rights Documents, Conservation Easement and Related Documents, Environmental Plans and Permits, Historic Financial/Cost Records, O&M Books and Manuals (e.g., description of operation, manufacturer books, etc.).]

[C.27 (thru C.29) – Detailed Description of Tangible Personal Property (Fossil)

- Generation Records, Equipment Descriptions/History, Equipment Testing Reports and Logbooks (e.g., relay test reports, startup and test data, battery test logbook, etc.), Maintenance Records (including SAP work history), Powerhouse Prints (equipment drawings/diagrams), Other Engineering/Design Drawings, Facility Safety Records, Land Rights Documents, Environmental Plans and Permits, Historic Financial/Cost Records, O&M Books and Manuals (e.g., description of operation, manufacturer books, etc.).]

[C.30 (thru C.33) – Detailed Description of Tangible Personal Property (Solar)

- Generation Records, Equipment Descriptions/History, Equipment Testing Reports and Logbooks (e.g., relay test reports, startup and test data, battery test logbook, etc.), Maintenance Records (including SAP work history), Facility Prints (equipment drawings/diagrams), Other Engineering/Design Drawings, Facility Safety Records, Land

Rights Documents, Environmental Plans and Permits, Historic Financial/Cost Records, O&M Books and Manuals (e.g., description of operation, manufacturer books, etc.).]

EXHIBIT B

Assignment and Assumption of Assumed Contracts

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment"), dated as of _____,__ (the "Effective Date"), is made by and between Pacific Gas and Electric Company, a California corporation ("Assignor"), and Pacific Generation LLC, a Delaware limited liability company ("Assignee").

W I T N E S S E T H:

WHEREAS, Assignor and Assignee are parties to that certain Separation Agreement, dated as of _____ (the "Separation Agreement"); and

WHEREAS, in accordance with the Separation Agreement, Assignor desires to assign and transfer to Assignee, and Assignee desires to assume and accept, all of Assignor's rights, title, and interest in and to, and all of its duties, liabilities, and obligations under and pursuant to, the "Assumed Contracts" (as such term is defined in the Separation Agreement) as further identified in Attachment 1 hereto ("Assumed Contracts").

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby covenant and agree as follows:

1. Assignment. Assignor hereby irrevocably assigns and transfers to Assignee all of its right, title, and interest in and to, and all of its duties, liabilities, and obligations under or pursuant to, the Assumed Contracts, if any, first arising and accruing on and after the Effective Date.

2. Assumption. Assignee hereby assumes and accepts all of Assignor's right, title, and interest in and to, and all of Assignor's duties, liabilities, and obligations under or pursuant to, the Assumed Contracts, if any, first arising and accruing on and after the Effective Date, and further agrees to perform under and be bound by the terms of the Assumed Contracts as of the Effective Date.

3. Disclaimer. The assignment and assumption hereunder is made without any covenant, warranty or representation by Assignor of any kind whatsoever, except as expressly set forth in the Separation Agreement, and is made subject to all other terms and conditions of the Separation Agreement.

4. Effectiveness. This Assignment shall become effective as of the Effective Date.

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

6. Further Assurances. Assignor and Assignee each agrees to execute and deliver such additional instruments as may reasonably be requested by the other to give effect to, document or further assure the assignment and assumption of the Assumed Contracts as provided for herein.

7. Successors and Assigns. This Assignment is binding upon and inures to the benefit of the successors and assigns of the Assignor and Assignee, respectively.

8. General. In the event of any conflict or ambiguity between the terms of the Separation Agreement and the terms of this Assignment, the terms of the Separation Agreement shall govern. This Assignment may be executed in any number of counterparts, each of which is an original, but all of which together constitute one and the same instrument. If any provision of this Assignment is held invalid or unenforceable, such provision shall be deemed to be severed from this Assignment, and the validity and enforceability of the remaining provisions contained herein shall not be affected or impaired in any way thereby.

9. Governing Law. The validity, interpretation and effect of this Assignment shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in such State and without regard to conflicts of law doctrines, except to the extent that certain matters are preempted by federal law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the duly authorized representatives of the undersigned parties have executed and delivered this Assignment as of the Effective Date set forth above.

ASSIGNOR:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Print Name:
Its:

ASSIGNEE:

PACIFIC GENERATION LLC,
a Delaware limited liability company

By: _____
Print Name:
Its:

Attachment 1

Assumed Contracts

EXHIBIT C

Grant Deed and Reservation of Easements

GRANT DEED AND RESERVATION OF EASEMENTS

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("**Grantor**"), for good and valuable consideration, the receipt of which is hereby acknowledged, grants to *[Name of Grantee]* ("**Grantee**"), the real property, situated in the (City, if applicable), County of _____, State of California, described as follows (the "**Property**"):

(APN, if available, otherwise use SBE #)

(Insert description of real property)

Together with:

All of Grantor's right, title and interest in and to the following water rights:

(a) Legal description of pre-1914 and appropriative water rights.
(b) All riparian water rights appurtenant to the above described Property.

[Note: The below reservation language is a pro-forma example, and is subject to change for each individual Grant Deed, based on site specific conditions, and the rights determined to be necessary for the on-going safe operations and maintenance of PG&E's retained utility facilities. All retained rights on hydro properties will be subject to FERC license requirements governing third-party uses of hydro project lands.]

Reserving to Grantor an easement and the right, from time to time, to excavate for, construct, reconstruct, replace (of initial or any other size), remove, maintain, inspect, and use existing and additional facilities and associated equipment for public utility purposes, including, but not limited to electric, gas, and communication facilities (hereinafter referred to collectively as "the Facilities"); together with a right of way, on, over and under the Property.

Further reserving to Grantor:

(a) the right of ingress to and egress from the Facilities over and across the Property by means of roads and lanes thereon, if such there be, otherwise by such route or routes as shall occasion the least practicable damage and inconvenience to Grantee;

(b) the right, from time to time, to trim or to cut down, without Grantor paying compensation, any and all trees and brush now or hereafter within the Property which now or hereafter in the opinion of Grantor may interfere with or be a hazard to the Facilities, or as Grantor deems necessary to comply with applicable state or federal regulations;

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

(d) to mark the location of the Facilities by suitable markers set in the ground; provided that said markers shall be placed in fences or other locations which will not interfere with any reasonable use Grantee shall make of the Property.

(e) [Insert if third party facilities (e.g. cellular equipment) are installed on the Property] the right to assign, lease, permit, or license to any person or entity any or all of the rights reserved herein.

Notwithstanding the above reservations, nothing herein shall impair or otherwise impede Grantee's right to use the Property in all ways and for all purposes necessary for Grantee to fulfill its obligations as licensee under FERC projects.

Grantor hereby covenants and agrees:

(a) the exercise of its reserved rights to operate and maintain the Facilities within the Property shall not interfere with Grantee's use of the Property for hydroelectric power generation purposes.

(b) not to fence the Property;

(c) to promptly backfill any excavations made by it on the Property; and

(d) repair any damage it shall do to the Property by exercise of said right of ingress and egress.

Grantee hereby covenants and agrees:

(a) not to place or construct, nor allow a third party to place or construct, any building or other structure, or store flammable substances, or drill or operate any well, or construct any reservoir or other obstruction within the Property, or diminish or substantially add to the ground level within the Property, or construct any fences that will interfere with the maintenance and operation of the Facilities.

(b) [Insert if existing gas transmission on the property] not to commence, nor allow a third party to commence, any construction activity (surface or subsurface) within the Property without the written approval of Grantor, which approval shall not be unreasonably withheld. No construction activity shall commence until such time that Grantor approves the request. Grantee shall submit requests to the following address, or to such other address as Grantor may designate by written notice:

PACIFIC GAS AND ELECTRIC COMPANY
[300 Lakeside Drive
Oakland, CA 94612]

(c) [Insert if existing gas transmission on the property] not to plant any trees, brush, or vines within the Property. Grantee may plant and maintain ground covers, grasses, flowers, crops, and low-growing plants that grow unsupported to a maximum of four (4) feet in height at maturity within the Property.

Subject To:
(as necessary to identify site specific conditions)

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

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

[*signatures on the following page*]

Dated _____, 20____.

GRANTOR:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By:_____
Name:
Its:

GRANTEE:

PACIFIC GENERATION LLC,
a Delaware limited liability company

By:_____
Name:
Its:

EXHIBIT D

Assignment and Assumption of Leases and Occupancy Agreements

ASSIGNMENT AND ASSUMPTION OF LEASES AND OCCUPANCY AGREEMENTS

THIS ASSIGNMENT AND ASSUMPTION OF LEASES AND OCCUPANCY AGREEMENTS ("Assignment"), dated for reference purposes only as of _____ , 20_, is made by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("Assignor"), and PACIFIC GENERATION LLC, a Delaware limited liability company ("Assignee").

RECITALS

A. This Assignment is delivered pursuant to that certain Separation Agreement ("Separation Agreement") dated _____, by and between Assignor and Assignee, relating to the real property located in the County of [_____], State of California, as more particularly described in Exhibit A attached hereto and made a part hereof ("Real Property").

B. Unless otherwise specifically provided herein, all provisions of this Assignment shall be effective as of the date ("Effective Date") that the grant deed conveying title to the Real Property to Assignee is recorded in the official records of [___] County.

FOR VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. Assignment.

Assignor hereby sells, transfers, assigns and conveys to Assignee all of Assignor's right, title and interest, if any, first arising and accruing on and after the Effective Date, in and to the leases, licenses and other occupancy agreements, as amended, affecting the Real Property, and all guarantees thereof, set forth on Exhibit B attached hereto and made a part hereof (collectively, the "Leases"), to the extent the same are assignable by their respective terms and not revoked, terminated or subject to revocation or termination upon such assignment.

2. Acceptance and Assumption.

Assignee hereby accepts the foregoing transfer, assignment and conveyance and hereby agrees to assume and discharge, in accordance with the terms of the Leases, all of the burdens and obligations of Assignor relating to the Leases first arising and accruing on and after the Effective Date.

3. No Representation or Warranty.

The foregoing assignment is made without any covenant, representation or warranty by, or recourse against, Assignor or Assignor's Affiliates (as defined below) of any kind whatsoever.

4. Waiver and Release.

Assignee hereby unconditionally and irrevocably waives any and all claims and causes of action of any nature whatsoever it may now or hereafter have against Assignor or Assignor's present or future officers, directors, employees, agents, affiliates, members, representatives, stockholders or other principals and representatives, and their respective heirs, successors and assigns (collectively, "Assignor's Affiliates"), and hereby unconditionally and irrevocably fully releases and discharges Assignor and Assignor's Affiliates from any and all liability whatsoever which may now or hereafter accrue in favor of

Assignee against Assignor or Assignor's Affiliates, in connection with or arising out of the Leases. With respect to the foregoing release, Assignee hereby acknowledges that such release is made with the advice of counsel and with full knowledge and understanding of the consequences and effects of such release. Further, as to unknown and unsuspected claims as of the Effective Date, Assignee hereby acknowledges that such release is made with the full knowledge, understanding and agreement that California Civil Code Section 1542 provides as follows, and Assignee hereby agrees that the protection afforded by said Code Section and any similar law of any other state, territory or jurisdiction is specifically waived:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

ASSIGNEE: Pacific Generation LLC, a Delaware limited liability company

By: _____
Name:_____
Its: _____

5. Counterparts.

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

6. Further Assurances.

Assignor and Assignee each agree to execute and deliver such additional instruments as may reasonably be requested by the other to give effect to, document or further assure the transfer, acceptance and assumption as provided for herein.

7. Successors and Assigns.

This Assignment is binding upon and inures to the benefit of the successors and assigns of the Assignor and Assignee, respectively.

8. Governing Law.

The validity, interpretation and effect of this Assignment shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in such state and without regard to conflicts of law doctrines except to the extent that certain matters are preempted by federal law.

[Signature page follows]

IN WITNESS WHEREOF, Assignor and Assignee have duly executed this Assignment.

ASSIGNOR: PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

Dated: _____, ___ By: _____
Name:
Its:

ASSIGNEE: PACIFIC GENERATION LLC,
a Delaware limited liability company

Dated: _____, ___ By: _____
Name:
Its:

Exhibit A

Legal Description of Properties

Exhibit B

Leases

EXHIBIT E

Quitclaim of Prescriptive Rights

RECORDING REQUESTED BY AND RETURN TO:

PACIFIC GAS AND ELECTRIC COMPANY
[300 Lakeside Drive
Oakland, CA 94612]

Location: City/Uninc_____
Recording Fee $_____
Document Transfer Tax $ _____
[ ] This is a conveyance where the consideration and Value is less than $100.00 (R&T 11911).
[ ] Computed on Full Value of Property Conveyed, or
[ ] Computed on Full Value Less Liens & Encumbrances Remaining at Time of Sale

_____
Signature of declarant or agent determining tax

(SPACE ABOVE FOR RECORDER'S USE ONLY)

PG&E Doc # QUITCLAIM DEED

QUITCLAIM OF PRESCRIPTIVE RIGHTS

PACIFIC GAS AND ELECTRIC COMPANY, a California Corporation, hereinafter called PG&E, hereby quitclaims, transfers and conveys, to PACIFIC GENERATION LLC, a Delaware limited liability company, hereinafter called Grantee, all of PG&E's unwritten real property rights, title and interest associated with the construction, reconstruction, repair, replacement, access, patrol, operation and maintenance of the [_____] Project, and appurtenances thereto, including but not limited to, the existing canals, flumes, spillways, spurs, gates, valves, walkways, bridges, trash racks, tunnels, fencing, gaging stations, access roads, laydown areas, penstocks and telecommunications facilities related to the operation of the [_____] Project, insofar as said rights affect the portion of the [_____] Project, and appurtenances thereto, being described in Exhibit "A" and approximately shown on Exhibit "B". Both Exhibit "A" and Exhibit "B" are attached hereto and made a part hereof.

The interests in real property hereby quitclaimed are no longer necessary or useful to PG&E in the performance by it of its duties to the public.

Dated _____, 20_____.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By:_____
Name:
Its:

Exhibit "A"

Facility	Exhibit B Reference #	Approximate Location

Exhibit "B"

[*see attached*]

EXHIBIT F

Assignment of Easements and Rights

ASSIGNMENT OF EASEMENTS AND RIGHTS

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("PG&E"), hereby assigns to PACIFIC GENERATION LLC, a Delaware limited liability company ("Grantee"), all of PG&E's right, title and interest in and under those certain rights of way and easements for hydroelectric power generation and water conveyance facilities granted by and described in the deeds set forth in Exhibit "A" attached hereto and made a part hereof.

PG&E also apportions to Grantee the rights of way and easements for hydroelectric power generation facilities and water conveyance facilities granted by and described in the deeds set forth in Exhibit "B" attached hereto and made a part hereof.

Of the apportioned rights, PG&E shall retain unto itself, its successors and assigns all pole line and roadway rights for the purposes necessary and useful to PG&E in the performance by it of its duties to the public.

PG&E also assigns to Grantee the easements and rights, if any, under the Act of July 26, 1866 (30 USC 51 RS 2339), or successor laws enacted by the United States Government which granted or conveyed interests in federal lands necessary or useful to the operation or maintenance of the [project description].

A summary of the rights being assigned hereunder is set forth in Exhibit "C" attached hereto and made a part hereof.

[*signatures on the following page*]

The California Public Utilities Commission, in Decision No. _____, has approved the assignments hereunder under Public Utilities Code Section 851.

Dated _____, 20__.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By:_____
Name:
Its:

Exhibit "A"

PG&E L.D.	Grantor	Type	Date	Recording Information (Official Records)		
				County	Book or Year	Page or Document ID#

Exhibit "B"

PG&E L.D.	Grantor	Type	Date	Recording Information (Official Records)		
				County	Book	Page

Exhibit "C"

PG&E L.D.	Summary of Rights being Assigned	Summary of Rights Being Reserved by PG&E (if applicable)

EXHIBIT G

Assignment and Assumption of Third Party Use Agreements

ASSIGNMENT AND ASSUMPTION OF THIRD PARTY USE AGREEMENTS

THIS ASSIGNMENT AND ASSUMPTION OF THIRD PARTY USE AGREEMENTS ("Assignment"), dated for reference purposes only as of _____ , 20_, is made by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("Assignor"), and PACIFIC GENERATION LLC, a Delaware limited liability company ("Assignee").

RECITALS

A. This Assignment is delivered pursuant to that certain Separation Agreement ("Separation Agreement") dated _____, by and between Assignor and Assignee, relating to the real property located in the County of [_____], State of California, as more particularly described in Exhibit A attached hereto and made a part hereof ("Real Property").

B. Unless otherwise specifically provided herein, all provisions of this Assignment shall be effective as of the date ("Effective Date") that that the Grant Deed and Reservation of Easements in which Assignor conveys title to the Real Property to Assignee Real Property to Assignee is recorded in the official records of [___] County.

FOR VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. Assignment.

Assignor hereby sells, transfers, assigns and conveys to Assignee all of Assignor's right, title and interest, as landlord, lessor licensor or equivalent, as applicable, first arising or accruing from or after the Effective Date , in and to the leases, licenses and other occupancy agreements, as amended, affecting the Real Property, and all guarantees thereof, set forth on Exhibit B attached hereto and made a part hereof (collectively, the "Leases"), to the extent the same are assignable by their respective terms and not revoked, terminated or subject to revocation or termination upon such assignment.

2. Acceptance and Assumption.

Assignee hereby accepts the foregoing transfer, assignment and conveyance and hereby agrees to assume and discharge, in accordance with the terms of the Leases, all of the burdens and obligations of Assignor relating to the Leases first arising and accruing on and after the Effective Date.

3. No Representation or Warranty.

The foregoing assignment is made without any covenant, representation or warranty by, or recourse against, Assignor or Assignor's Affiliates (as defined below) of any kind whatsoever.

4. Waiver and Release.

Assignee hereby unconditionally and irrevocably waives any and all claims and causes of action of any nature whatsoever it may now or hereafter have against Assignor or Assignor's present or future officers, directors, employees, agents, affiliates, members, representatives, stockholders or other principals and representatives, and their respective heirs, successors and assigns (collectively, "Assignor's Affiliates"), and hereby unconditionally and irrevocably fully releases and discharges Assignor and

Assignor's Affiliates from any and all liability whatsoever which may now or hereafter accrue in favor of Assignee against Assignor or Assignor's Affiliates, in connection with or arising out of the Leases. With respect to the foregoing release, Assignee hereby acknowledges that such release is made with the advice of counsel and with full knowledge and understanding of the consequences and effects of such release. Further, as to unknown and unsuspected claims as of the Effective Date, Assignee hereby acknowledges that such release is made with the full knowledge, understanding and agreement that California Civil Code Section 1542 provides as follows, and Assignee hereby agrees that the protection afforded by said Code Section and any similar law of any other state, territory or jurisdiction is specifically waived:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

ASSIGNEE: Pacific Generation LLC, a Delaware limited liability company

By: _____
Name:_____
Its: _____

5. Counterparts.

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

6. Further Assurances.

Assignor and Assignee each agree to execute and deliver such additional instruments as may reasonably be requested by the other to give effect to, document or further assure the transfer, acceptance and assumption as provided for herein.

7. Successors and Assigns.

This Assignment is binding upon and inures to the benefit of the successors and assigns of the Assignor and Assignee, respectively.

8. Governing Law.

The validity, interpretation and effect of this Assignment shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in such state and without regard to conflicts of law doctrines except to the extent that certain matters are preempted by federal law.

[Signature page follows]

IN WITNESS WHEREOF, Assignor and Assignee have duly executed this Assignment.

ASSIGNOR: PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

Dated: _____, ___ By: _____

Name:
Its:

ASSIGNEE: PACIFIC GENERATION LLC,
a Delaware limited liability company

Dated: _____, ___ By: _____
Name: _____
Its: _____

Exhibit A

Legal Description of Properties

Exhibit B

Leases

EXHIBIT K

Conservation Easement Assignment and Assumption Agreement

RECORDING REQUESTED BY

PACIFIC GAS AND ELECTRIC COMPANY
Land Department
Attention: [_____]
[1850 Gateway Blvd, Room 7043C
Concord, CA 94520]

WHEN RECORDED MAIL TO

PACIFIC GAS AND ELECTRIC COMPANY
[300 Lakeside Drive
Oakland, CA 94612]

The undersigned Grantor declares that the documentary transfer tax is $-0- (R&T Code 11911 not applicable—No realty sold/no consideration)

SPACE ABOVE THIS LINE FOR RECORDER'S USE

A.P.N.s: [_____]

ASSIGNMENT AND ASSUMPTION AGREEMENT
(Encumbered Property)

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT ("Assumption Agreement"), made as of _____, 20__ (the "Effective Date"), by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("PG&E"), PACIFIC GENERATION LLC, a Delaware limited liability company ("Assignee"), and [-], a [-] ("Easement Holder"). PG&E, Assignee, and Easement Holder are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS:

A. Assignee and PG&E have entered into that certain Separation Agreement, dated _____ __, _____ (the "Separation Agreement"), pursuant to which PG&E has agreed to contribute to Assignee and Assignee has agreed to buy and accept that certain real property located in the County of [_____] and State of California, further described in Exhibit A attached hereto and incorporated herein (the "Property").

B. The Property is encumbered by a Deed of Conservation Easement and Agreement dated [_____] (the "Conservation Easement") between PG&E and Easement Holder and recorded in the Official Records of [_____] County, California on [Date] as Document No. [_____].

C. The Parties desire to hereby provide for PG&E's assignment to Assignee of its rights and interest in and to the Conservation Easement, Assignee's assumption of all obligations of PG&E under the Conservation Easement, and as otherwise provided herein.

NOW THEREFORE, for valuable consideration, receipt of which is acknowledged, PG&E, Assignee, and Easement Holder agree as follows:

1. Definitions. Capitalized terms used herein without other definition have the meanings given to them in the Conservation Easement.

2. Assignment. PG&E hereby assigns and transfers to Assignee all rights, duties and obligations of the "Grantor" under the Conservation Easement.

3. Assumption. Assignee hereby accepts the foregoing assignment and transfer. Assignee also acknowledges its designation as "Grantor" under the Conservation Easement, and does hereby assume the performance of all duties of Grantor under all the terms, covenants and conditions of the Conservation Easement; except, however, PG&E acknowledges that it shall be responsible for costs incurred by Easement Holder related to PG&E's sale and transfer of the Property to Assignee as said costs are contemplated in Section [-] and Section [-] of the Conservation Easement, pursuant to which Easement Holder is entitled to receive from PG&E a one-time payment of a sum, if any, representing the increased cost of stewardship and amendment of the Conservation Easement.

4. Reservations and Continued Use.

4.1. The Parties acknowledge that the transfer of fee title to the Property is being made in accordance with that certain Grant Deed and Reservation of Easements, recorded in the Official Records of the County of [_____] prior to the recordation of this Assumption Agreement (the "Grant Deed"), subject to PG&E's reservation of certain rights in and to the Property, as set forth in the Grant Deed ("PG&E Reserved Rights"). The Parties hereby acknowledge that the PG&E Reserved Rights are an express third party use and that all rights and obligations of Assignee and Easement Holder under the Conservation Easement shall be subject to the PG&E Reserved Rights. In the event PG&E notifies Assignee, in writing, of its intention to exercise any of the PG&E Reserved Rights, Assignee shall notify Easement Holder, in writing, of said intention within thirty (30) days after receipt of PG&E's written notice.

4.2. The Parties acknowledge and agree that none of the releases of rights pursuant to Section [-] of the Conservation Easement are applicable, because the conditions precedent thereto in Section [-] (a) through (c) were not satisfied.

5. No Representations or Warranties. This Assumption Agreement is made without warranty or representation by PG&E of any kind whatsoever, except as expressly set forth in the Separation Agreement, and is made subject to all other terms and conditions of the Separation Agreement.

6. Indemnification. Assignee shall protect, indemnify, and defend PG&E against and hold PG&E harmless from all claims, demands, liabilities, losses, damages, costs, and expenses, including, without limitation, reasonable attorneys' fees and disbursements, that are caused by any

failure by Assignee to perform the "Grantor" obligations arising or accruing under the Conservation Easement on and after the Effective Date. PG&E shall protect, indemnify, and defend Assignee against and hold Assignee harmless from all claims, demands, liabilities, losses, damages, costs, and expenses, including, without limitation, reasonable attorneys' fees and disbursements, that are caused by any failure by PG&E to perform its obligations arising or accruing under the Conservation Easement prior to the Effective Date.

7. Further Assurances. The Parties agree to take such reasonable actions, including acknowledging, delivering, or executing instruments and documents, as may be required to effectuate the purposes of this Assumption Agreement.

8. Governing Law. This Assumption Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflict of laws or choice of law rules.

9. Successors and Assigns. This Assumption Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

10. Severability. If one or more provisions of this Assumption Agreement are held by a proper court to be unenforceable under applicable law, portions of such provisions, or such provisions in their entirety, to the extent necessary and permitted by law, shall be severed herefrom, and the balance of this Assumption Agreement shall be enforceable in accordance with its terms.

11. Entire Agreement; Amendment. This Assumption Agreement contains the entire understanding of the Parties relating to the subject matter hereof and shall supersede any prior written or oral agreements or communications among some or all of the Parties pertaining to such subject matter. The obligations of the Parties under this Assumption Agreement may not be altered or amended in any respect except by a writing executed by Easement Holder, Assignee, and PG&E.

12. Counterparts. This Assumption Agreement may be executed in two or more counterparts and each of such counterparts, for all purposes, shall be deemed to be an original but all of such counterparts together shall constitute but one and the same instrument, binding upon all Parties to this Assumption Agreement, notwithstanding that all of such Parties may not have executed the same counterpart.

13. Limitation on Liability. Each of the Parties expressly agrees that the obligations and liabilities of each Party under this Assumption Agreement and any document referenced herein shall not constitute personal obligations of the officers, directors, employees, agents, affiliates, members, representatives, stockholders or other principals and representatives of such Party. The limitations of liability contained in this Section shall apply equally and inure to the benefit of each Party's present and future officers, directors, employees, agents, affiliates, members, representatives, stockholders or other principals and representatives, and their respective heirs, successors, and assigns.

14. Effectiveness. This Assumption Agreement shall be effective as of the closing date under the Separation Agreement.

[Signatures follow on next page.]

IN WITNESS WHEREOF, the Parties have executed this Assumption Agreement as of the Effective Date.

ASSIGNEE:

PACIFIC GENERATION LLC,
a Delaware limited liability company

By: _____
Print Name: _____
Title: _____

[Signatures continued on following page.]

[Signatures continued from previous page.]

PG&E:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Print Name: _____
Title: _____

[Signatures continued on following page.]

[Signatures continued from previous page.]

EASEMENT HOLDER:

[_____],
a [_____]

By: _____
Print Name: _____
Title: _____

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

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

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

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

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

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

Exhibit A

Legal Description of Property

[Follows this page]

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 2

ATTACHMENT B

REPRESENTATIVE MAPS AND AERIAL PHOTOGRAPHS THAT VISUALLY DEPICT THE ASSETS AND REAL PROPERTY TO BE TRANSFERRED TO PACIFIC GENERATION

Hat Creek 1 Powerhouse – Located on PG&E Fee Property (~26.4 acres)

Property Boundary

Powerhouse Footprint

Hat Creek 2 Powerhouse – Located on PG&E Fee Property (~70 acres)

Property Boundary

Powerhouse Footprint

Pit 1 Powerhouse – Located on PG&E Fee Property (~163 acres)

Property Boundary

Powerhouse Footprint

2-AtchB-3

Pit 3 Powerhouse – Located on PG&E Fee Property (~121 acres)

Property Boundary

Powerhouse Footprint

Pit 4 Powerhouse – Located on PG&E Fee Property (~13 acres)

Property Boundary

Powerhouse Footprint

Pit 5 & James Black Powerhouses – Located on PG&E Fee Property (~320 acres)

Property Boundary

Powerhouse Footprints

Pit 6 Powerhouse – Located on PG&E Fee Property (~509 acres)

Property Boundary

Powerhouse Footprint

Pit 7 Powerhouse – Located on United States Forest Service Property (Possessory Interest)

Powerhouse Footprint

Volta 1 Powerhouse – PG&E Fee Property (~264 acres, located on same property as Volta 2 PH)

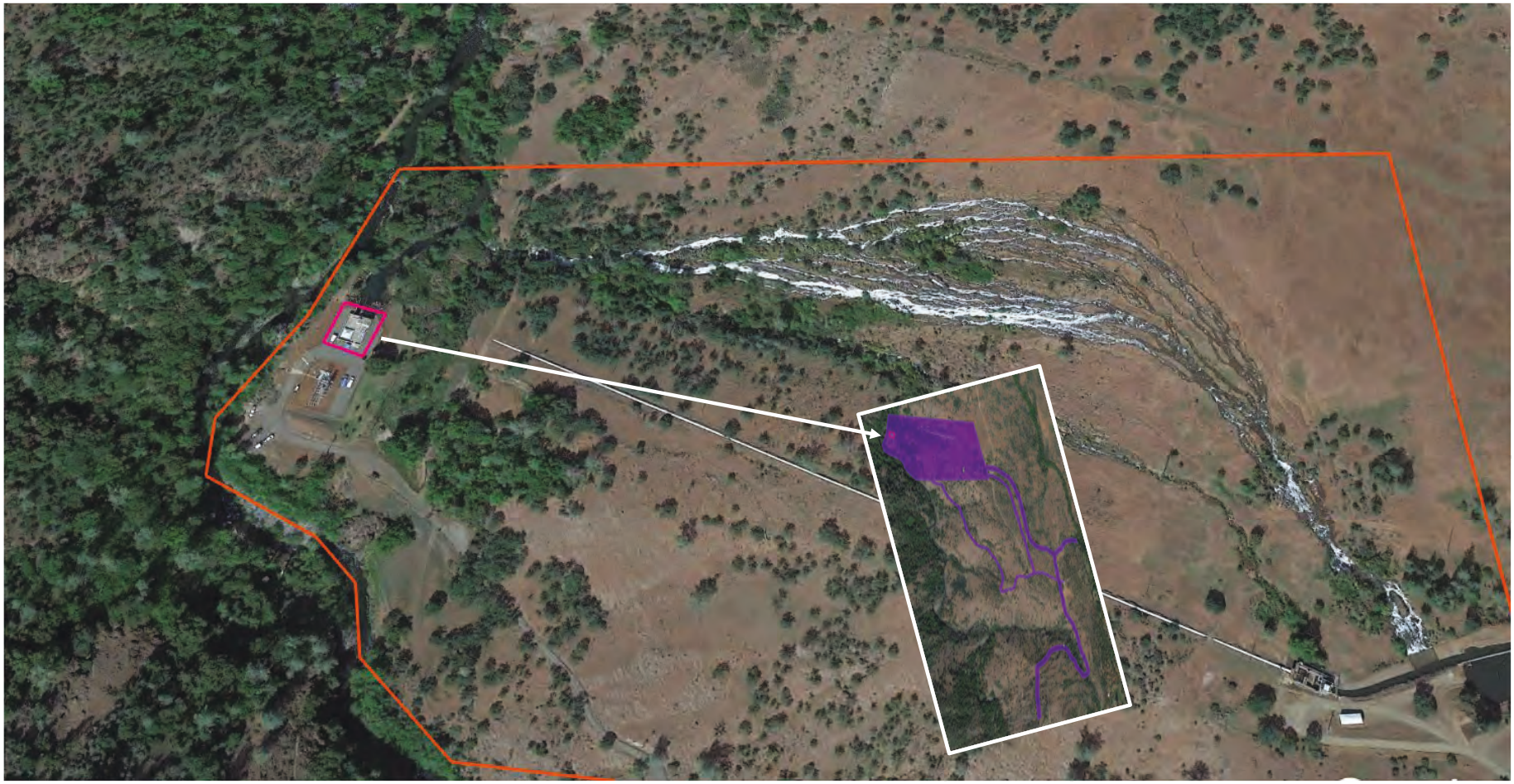
Approximate Northerly Property Boundary

Powerhouse Footprint

Volta 2 Powerhouse – PG&E Fee Property (~264 acres located on same parcel as Volta 1)

Approximate Southeastern Property Boundary

Powerhouse Footprint



South Powerhouse – Located on PG&E Fee Property (~74 acres)

Approximate Property Boundary

Powerhouse Footprint

Inskip Powerhouse – Located on PG&E Fee Property (~365 acres)

Approximate Western Property Boundary

Powerhouse Footprint

Coleman Powerhouse – Located on PG&E Fee Property (~12 acres)

Approximate Property Boundary

Powerhouse Footprint

Kilarc Powerhouse – Located on PG&E Fee Property (~40 acres)

Approximate Property Boundary

Powerhouse Footprint

Cow Creek Powerhouse – Located on PG&E Fee Property (~5 acres)

Approximate Property Boundary

Powerhouse Footprint

Centerville Powerhouse – Located on PG&E Fee Property (~256 acres)

Approximate Western Property Boundary

Powerhouse Footprint

DeSabla Powerhouse – Located on PG&E Fee Property (~422 acres)

Approximate Northwestern Property Boundary

Powerhouse Footprint

Toadtown Powerhouse – Located on Private Property (Operating Easement)

Approximate Future Easement Boundary

Powerhouse Footprint

Lime Saddle Powerhouse – Located on PG&E Fee Property (~17 acres)

Approximate Property Boundary

Powerhouse Footprint

Coal Canyon Powerhouse – Located on PG&E Fee Property (10 acres)

Approximate Property Boundary

Powerhouse Footprint

Hamilton Branch Powerhouse – Located on PG&E Fee Property (~152 acres)

Approximate Eastern Property Boundary

Powerhouse Footprint

Butt Valley Powerhouse – Located on PG&E Fee Property (~275 acres)

Approximate Northerly Property Boundary

Powerhouse Footprint

Caribou 1 & 2 Powerhouse – Located on PG&E Fee Property (~17 acres)

Approximate Property Boundary

Powerhouse Footprint

Oak Flat Powerhouse – Located on United States Forest Service Property (Possessory Interest)

Powerhouse Footprint

Belden Powerhouse – Located on PG&E Fee Property (~37 acres)

Approximate Property Boundary

Powerhouse Footprint

Rock Creek Powerhouse – Located on PG&E Fee Property (~115 acres)

Approximate Northerly Property Boundary

Powerhouse Footprint

Bucks Creek Powerhouse – Located on PG&E Fee Property (~69 acres)

Approximate Property Boundary

Powerhouse Footprint

Cresta Powerhouse – Located on PG&E Fee Property (~189 acres)

Approximate Northerly Property Boundary

Powerhouse Footprint

Poe Powerhouse – Located on PG&E Fee Property (~69 acres)

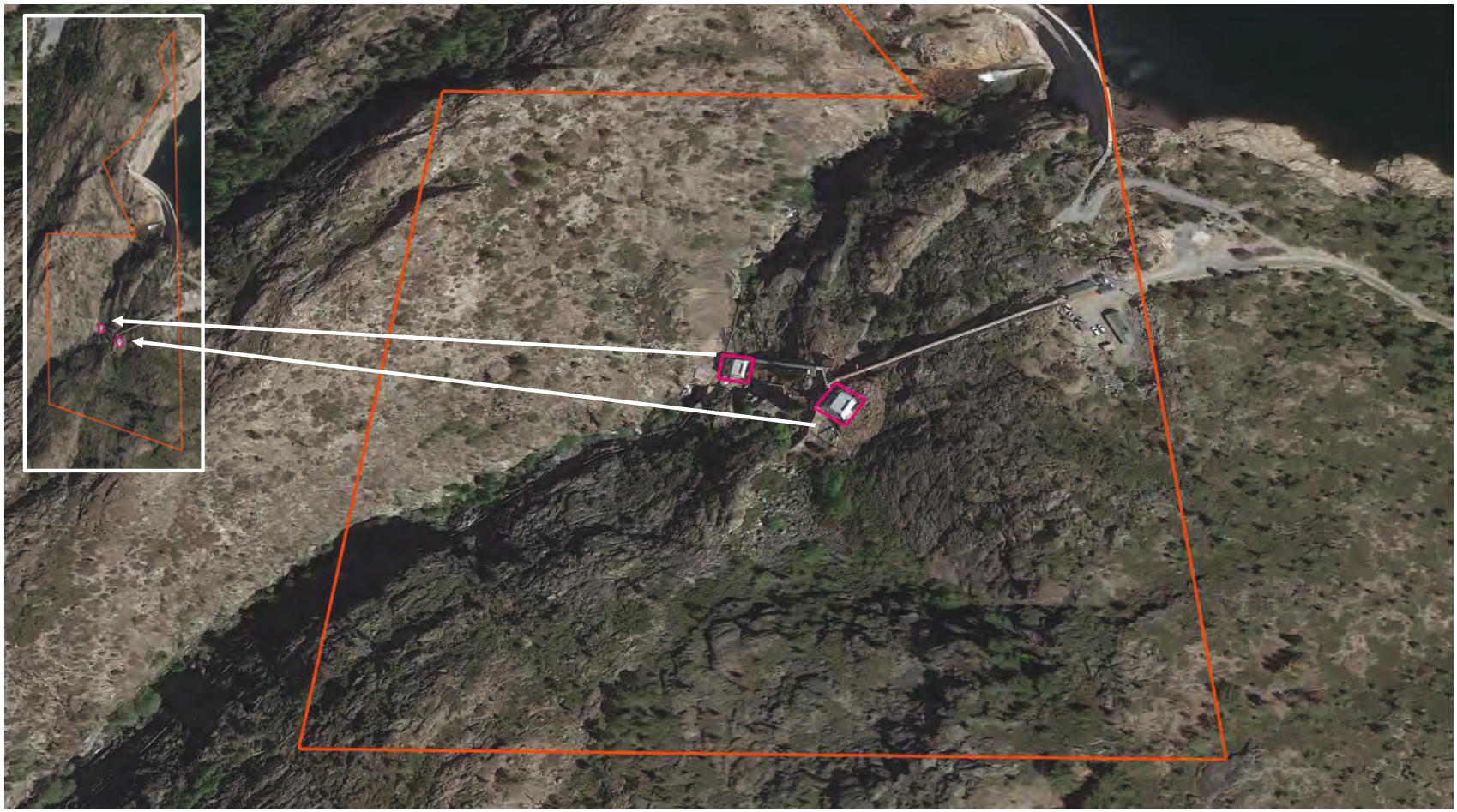
Approximate Property Boundary

Powerhouse Footprint

Potter Valley Powerhouse – Located on PG&E Fee Property (~31 acres)

Approximate Southerly Property Boundary

Powerhouse Footprint



Spaulding 1 and 2 Powerhouse – Located on PG&E Fee Property (~50 acres)

Approximate Property Boundary

Powerhouse Footprint

Spaulding 3 Powerhouse – Located on PG&E Fee Property (~572 acres)

Approximate Property Boundary

Powerhouse Footprint

Drum 1 and 2 Powerhouse – Located on PG&E Fee Property (~416 acres)

Approximate Northerly Property Boundary

Powerhouse Footprint

Alta Powerhouse – Located on PG&E Fee Property (~67 acres)

Approximate Property Boundary

Powerhouse Footprint

Dutch Flat Powerhouse – Located on PG&E Fee Property (~29 acres)

Approximate Property Boundary

Powerhouse Footprint

Halsey Powerhouse – Located on PG&E Fee Property (~407 acres)

Approximate Western Property Boundary

Powerhouse Footprint

Wise 1 and 2 Powerhouse – Located on PG&E Fee Property (~6.5 acres)

Approximate Property Boundary

Powerhouse Footprint

Newcastle Powerhouse – Located on Bureau of Reclamation Property (Possessory Interest)

Powerhouse Footprint

Salt Springs Powerhouse – Located on United States Forest Service Property (Possessory Interest)

Powerhouse Footprint

Tiger Creek Powerhouse – Located on PG&E Fee Property (~68 acres)

Approximate Northerly Property Boundary

Powerhouse Footprint

West Point Powerhouse – Located on Bureau of Land Management Property (Possessory Interest)

Powerhouse Footprint

Electra Powerhouse – Located on PG&E Fee Property (~72 acres)

Approximate Northerly Property Boundary

Powerhouse Footprint

Spring Gap Powerhouse – Located on PG&E Fee Property (~119 acres)

Approximate Northwestern Property Boundary

Powerhouse Footprint

Stanislaus Powerhouse – Located on PG&E Fee Property (~67 acres)

Approximate Property Boundary

Powerhouse Footprint

Phoenix Powerhouse – Located on PG&E Fee Property (~3 acres)

Approximate Property Boundary

Powerhouse Footprint

AG Wishon Powerhouse – Located on PG&E Fee Property (108 acres)

Approximate Property Boundary

Powerhouse Footprint

Crane Valley Powerhouse – Located on United States Forest Service Property (Possessory Interest)

Powerhouse Footprint

San Joaquin 1A Powerhouse – Located on United States Forest Service Property (Possessory Interest)

Powerhouse Footprint

San Joaquin 2 Powerhouse – Located on PG&E Fee Property (~141 acres)

Approximate Property Boundary

Powerhouse Footprint

San Joaquin 3 Powerhouse – Located on PG&E Fee Property (~138 acres)

Approximate Property Boundary

Powerhouse Footprint

Kerckhoff 1 Powerhouse – Located on Bureau of Land Management Property (Possessory Interest)

Powerhouse Footprint

Kerckhoff 2 Powerhouse – Located on Bureau of Land Management Property (Possessory Interest)

Powerhouse Footprint

Haas Powerhouse – Located on United States Forest Service Property (Possessory Interest)

Powerhouse Footprint

Balch 1 and 2 Powerhouse – Located on United States Forest Service Property (Possessory Interest)

Powerhouse Footprint

Kings River Powerhouse – Located on United States Forest Service Property (Possessory Interest)

Powerhouse Footprint

Helms Powerhouse – Located on United States Forest Service Property
(Possessory Interest)

Underground Powerhouse Footprint

Humboldt Bay Generating Station – Located on PG&E Fee Property

Approximate Property Boundary

Powerhouse Footprint

Colusa Generating Station – Located on private leased property (~100 acres)

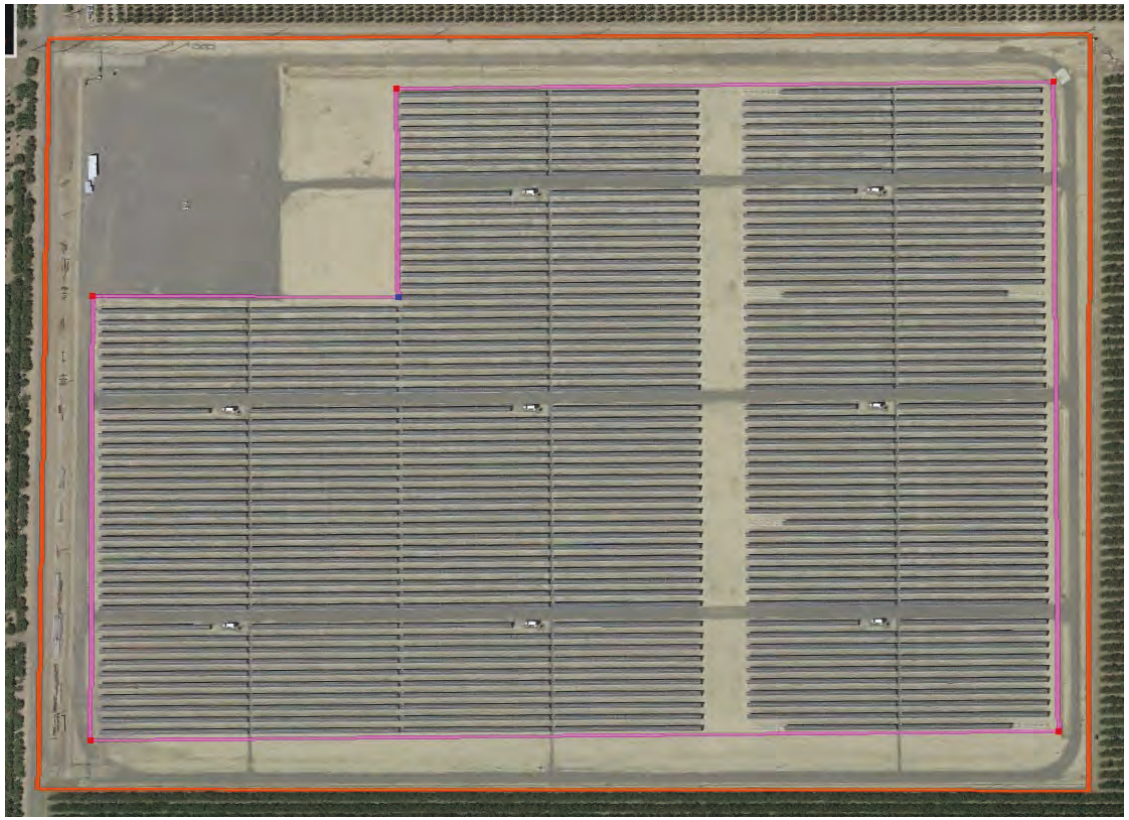
Approximate Property Boundary

Powerhouse Footprint

Gateway Generating Station – Located on PG&E fee property (~21.4 acres)

Approximate Property Boundary

Powerhouse Footprint



Giffen Solar Facility – Located on PG&E Fee Property (~87 acres)

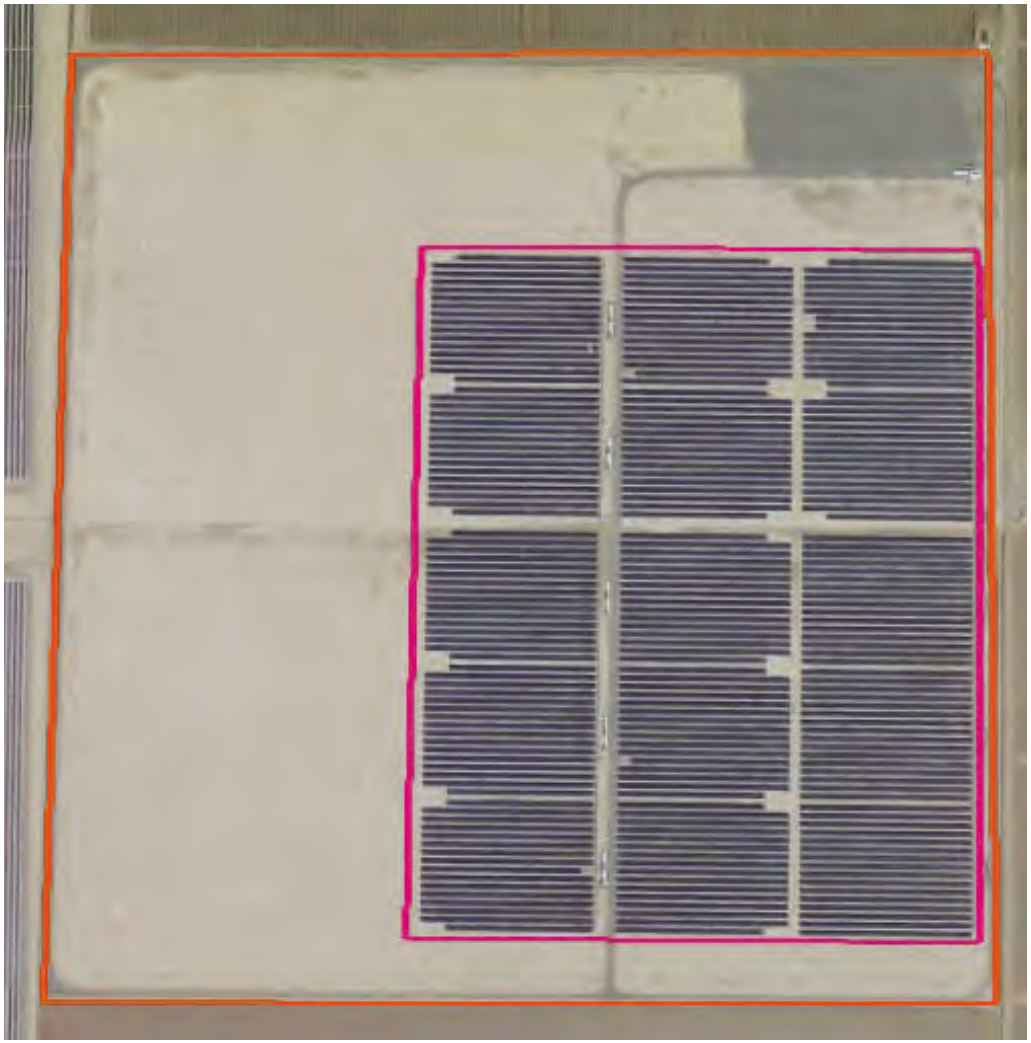
Approximate Property Boundary

Facility Footprint

Cantua Solar Facility – Located on PG&E Fee Property (~161 acres)

Approximate Property Boundary

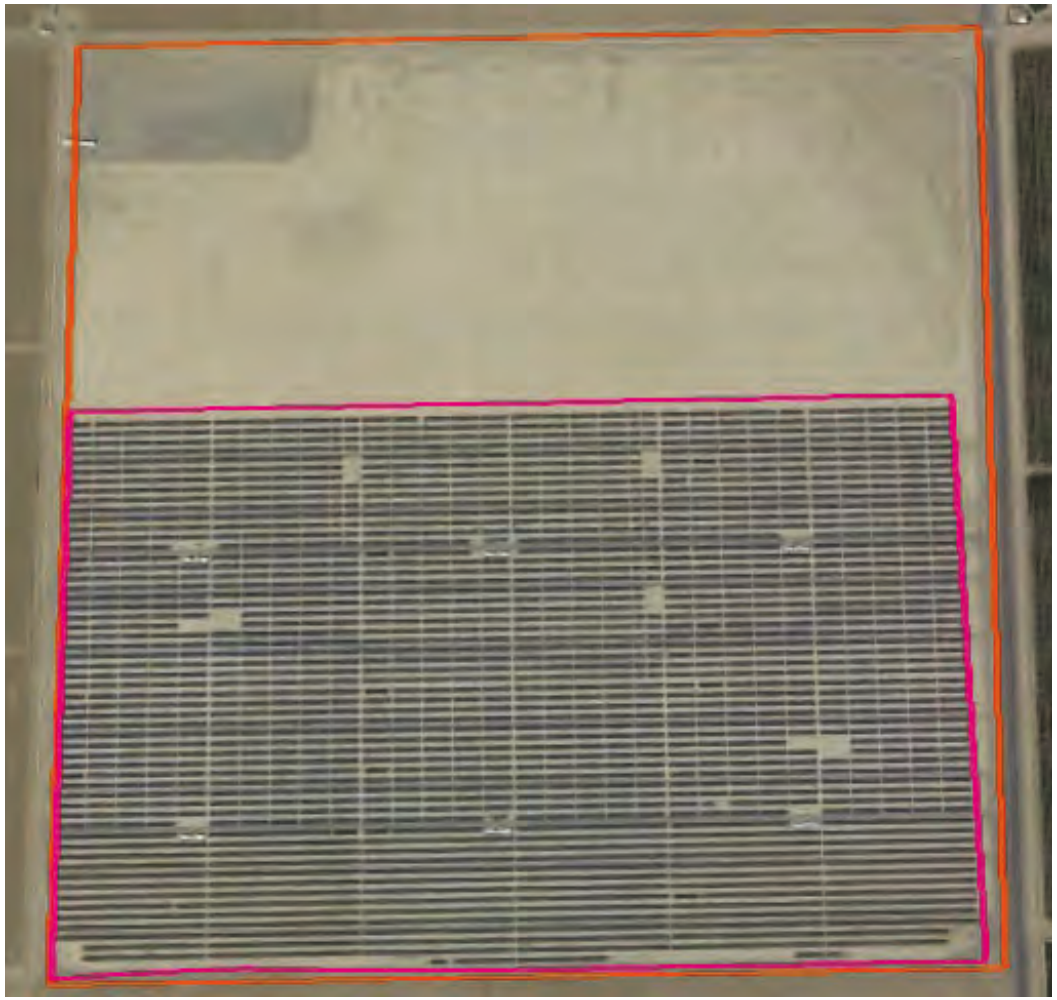
Facility Footprint



Westside Solar Facility – Located on PG&E Fee Property (~165 acres)

Approximate Property Boundary

Facility Footprint



Five Points Solar Facility – Located on PG&E Fee Property (~158 acres)

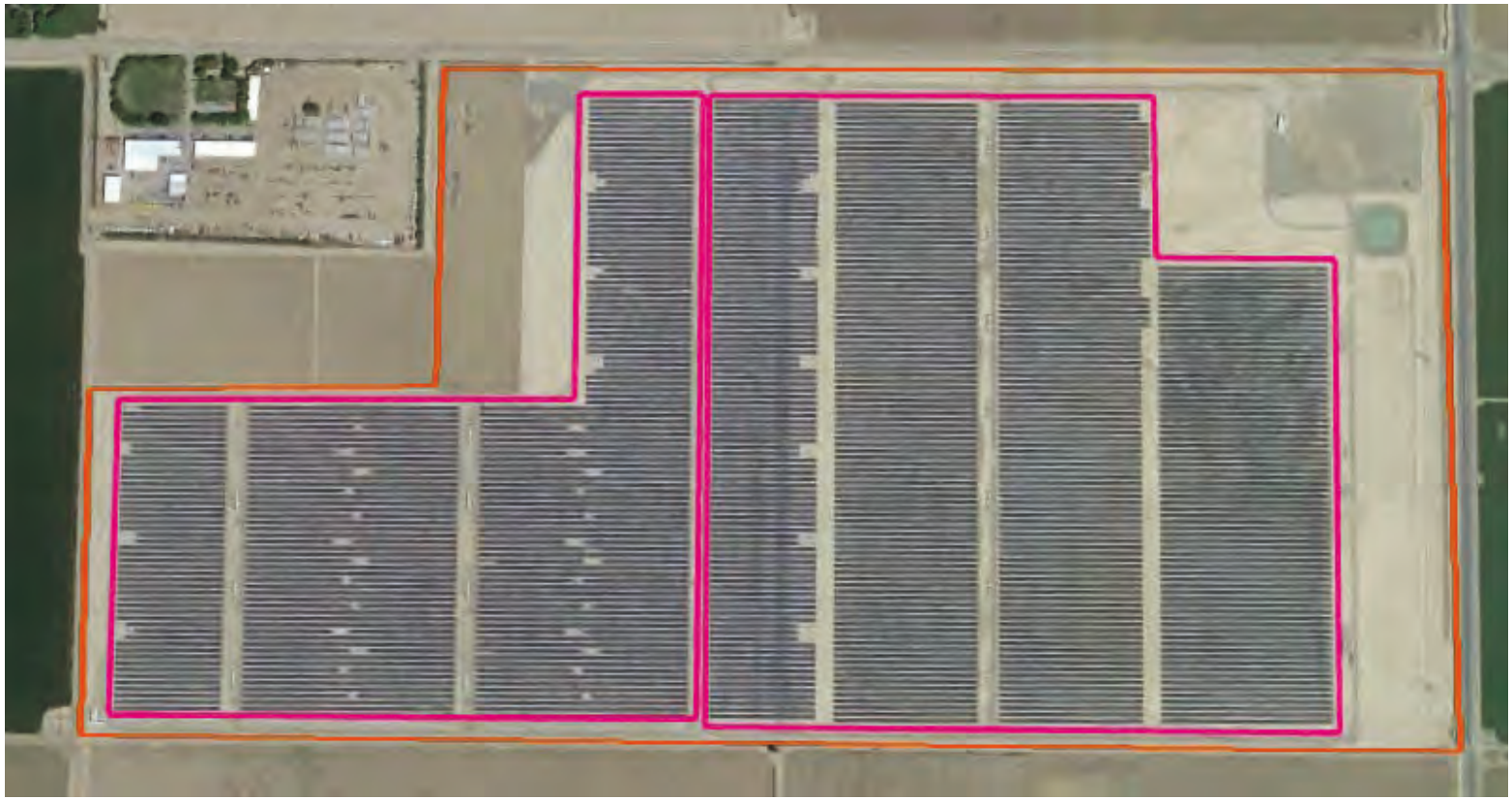
Approximate Property Boundary

Facility Footprint

Stroud Solar Facility – Located on PG&E Fee Property (~195 acres)

Approximate Property Boundary

Facility Footprint



Gates/Huron Solar Facility – Located on PG&E Fee Property (~273 acres)

Approximate Property Boundary

Facility Footprint

West Gate Solar Facility – Located on PG&E Gates Substation Fee Property

Approximate Future Easement Boundary

Facility Footprint

Guernsey Solar Facility – Located on PG&E Fee Property (~ 165 acres)

Approximate Easement Boundary

Facility Footprint

Vaca-Dixon Solar Facility – Located on PG&E Fee Property (~ 50 acres)

Approximate Easement Boundary

Facility Footprint

AT&T Solar Arrays – Located on Third-Party Leased Property
(Operated via Assignable License Agreement)

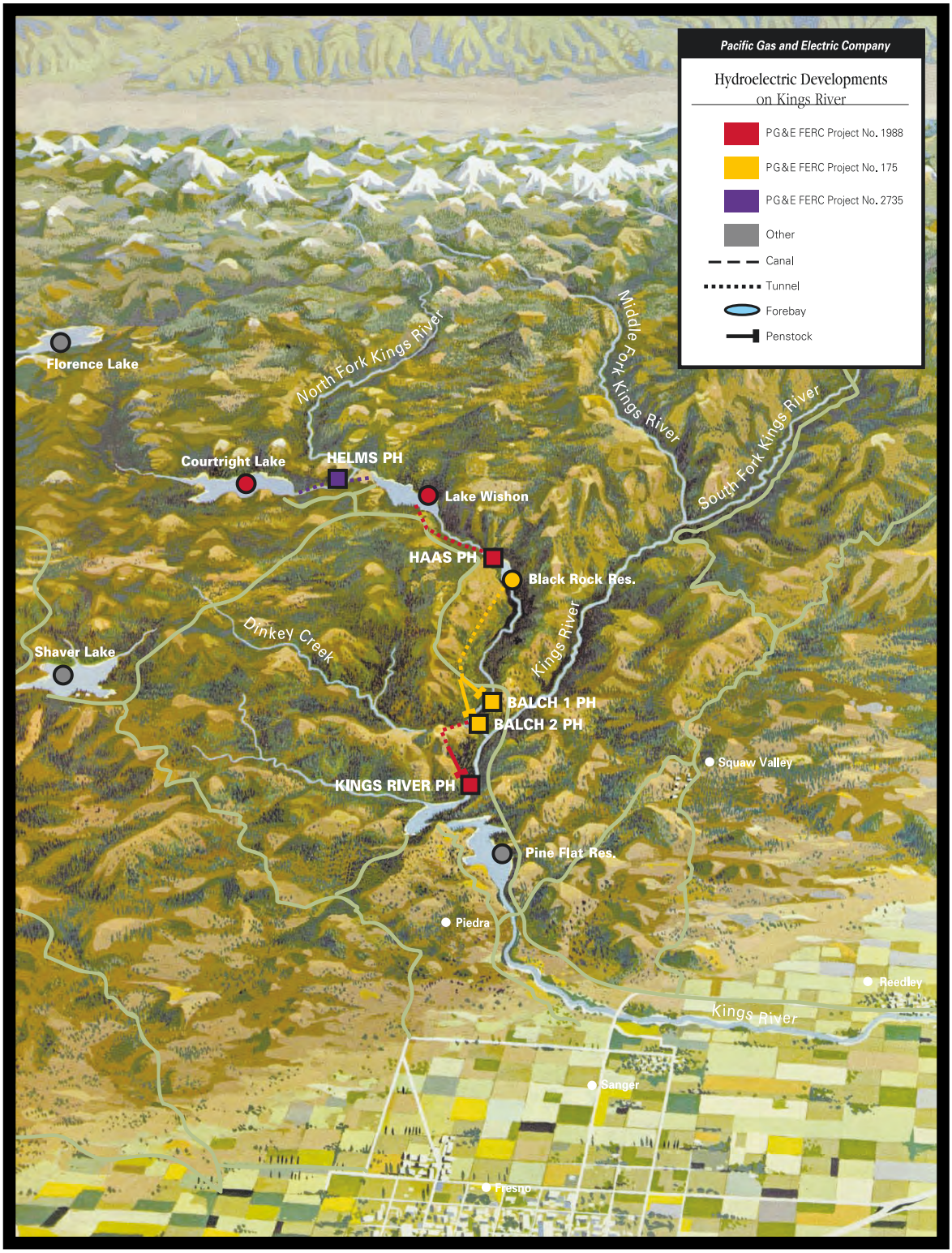
Approximate Property Boundary

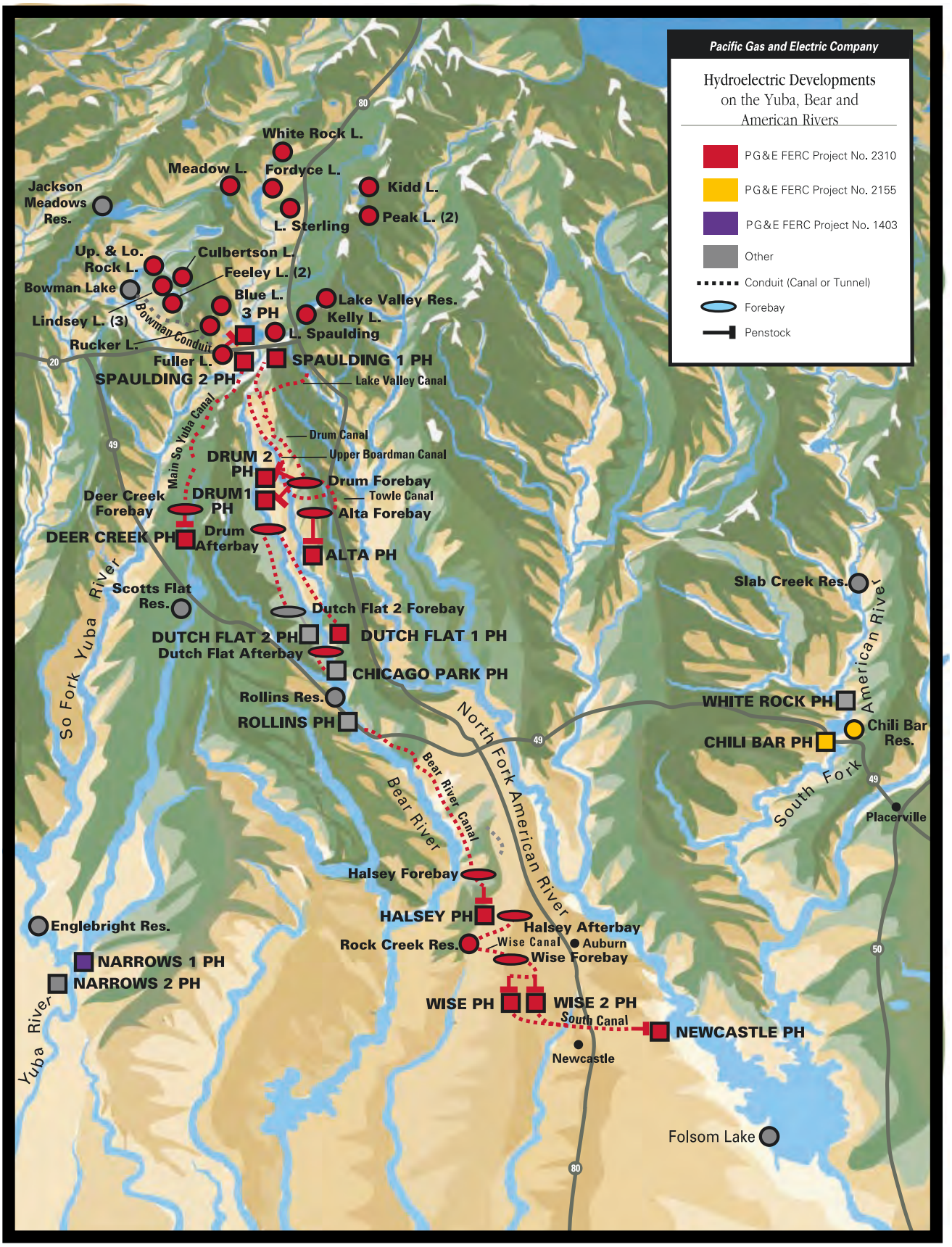
Facility Footprint

Elkhorn Battery Storage – Located on Moss Landing Substation Property

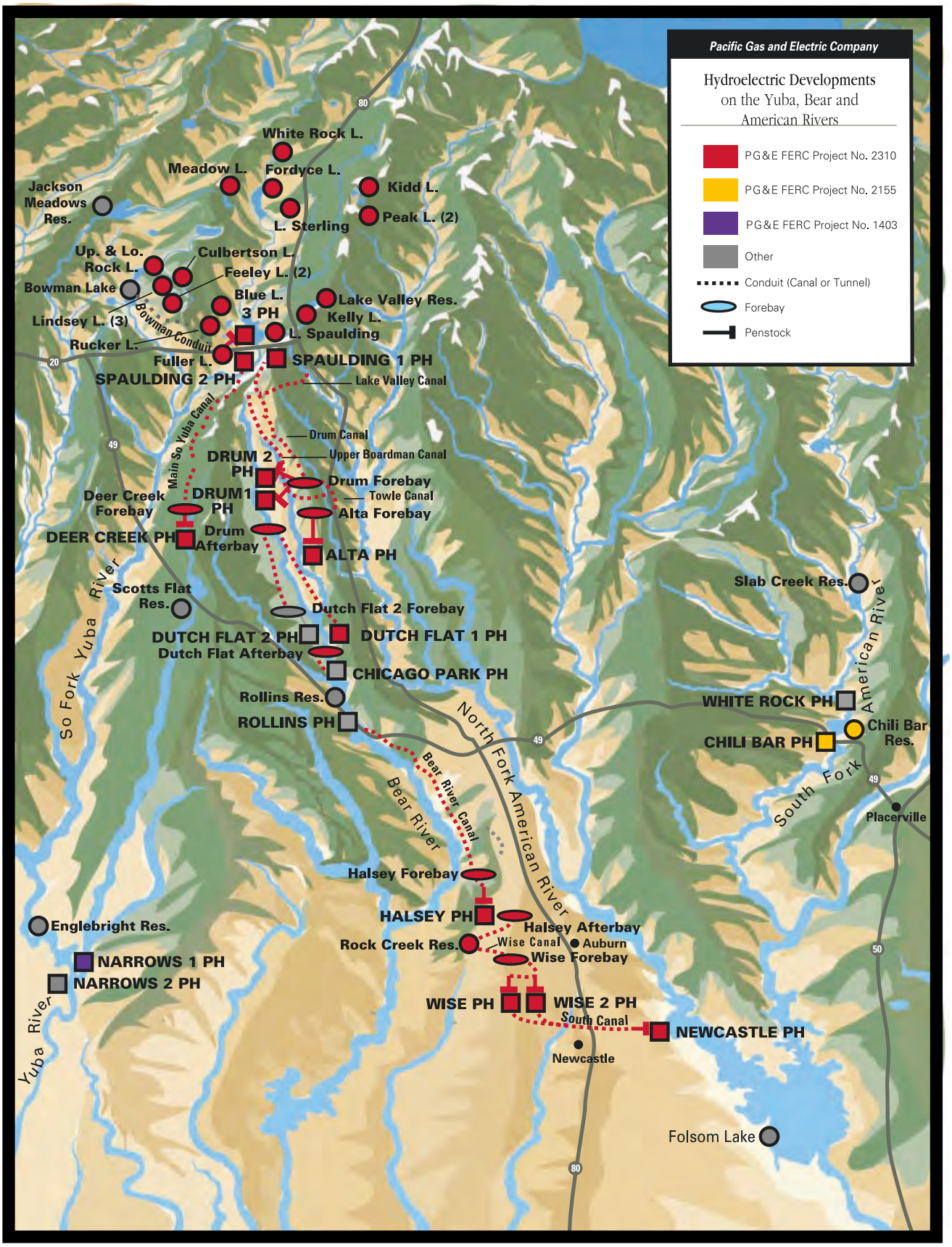
Approximate Property Boundary

Battery Storage Footprint


Pacific Gas and Electric Company
Hydroelectric Developments on Kings River
PG&E FERC Project No. 1988
PG&E FERC Project No. 175
PG&E FERC Project No. 2735
Other
Canal
Tunnel
Forebay
Penstock
Florence Lake
North Fork Kings River
Middle Fork Kings River
South Fork Kings River
Courtright Lake
HELMS PH
Lake Wishon
HAAS PH
Black Rock Res.
Dinkey Creek
Kings River
Shaver Lake
BALCH 1 PH
BALCH 2 PH
Squaw Valley
KINGS RIVER PH
Pine Flat Res.
Piedra
Reedley
Kings River
Sanger
Fresno


Pacific Gas and Electric Company
Hydroelectric Developments on the Yuba, Bear and American Rivers
PG&E FERC Project No. 2310
PG&E FERC Project No. 2155
PG&E FERC Project No. 1403
Other
Conduit (Canal or Tunnel)
Forebay
Penstock
White Rock L.
Meadow L.
Fordyce L.
Kidd L.
Jackson Meadows Res.
L. Sterling
Peak L. (2)
Up. & Lo. Rock L.
Culbertson L.
Feeley L. (2)
Bowman Lake
Blue L.
Lake Valley Res.
Lindsey L. (3)
3 PH
Kelly L.
Bowman Conduit
L. Spaulding
Rucker L.
Fuller L.
SPAULDING 1 PH
SPAULDING 2 PH
Lake Valley Canal
Main So Yuba Canal
Drum Canal
Upper Boardman Canal
DRUM 2 PH
Drum Forebay
Towle Canal
Deer Creek Forebay
DRUM1 PH
Alta Forebay
DEER CREEK PH
Drum Afterbay
ALTA PH
Scotts Flat Res.
Dutch Flat 2 Forebay
DUTCH FLAT 2 PH
DUTCH FLAT 1 PH
Dutch Flat Afterbay
CHICAGO PARK PH
Rollins Res.
ROLLINS PH
So Fork Yuba River
North Fork American River
Bear River Canal
Bear River
Halsey Forebay
HALSEY PH
Halsey Afterbay
Englebright Res.
Rock Creek Res.
Wise Canal
Auburn
Wise Forebay
NARROWS 1 PH
NARROWS 2 PH
WISE PH
WISE 2 PH
South Canal
NEWCASTLE PH
Yuba River
Newcastle
Folsom Lake
Slab Creek Res.
American River
WHITE ROCK PH
Chili Bar Res.
CHILI BAR PH
South Fork
Placerville
80
20
49
50

Pacific Gas and Electric Company
Hydroelectric Developments
on San Joaquin River
PG&E FERC Project No. 1354
PG&E FERC Project No. 96
Other
Canal
Tunnel
Forebay
Penstock
Lake Thomas Edison
Florence Lake
Portal Forebay
Mammoth Pool Res.
PORTAL PH
Huntington Lake
San Joaquin River
BIG CREEK 1 PH
BIG CREEK 2A PH
Shaver Lake
MAMOOTH POOL PH
BIG CREEK 2 PH
South Fork Willow Creek
The Pines
BIG CREEK 8 PH
Bass Lake
BIG CREEK 3 PH
CRANE VALLEY PH
SAN JOAQUIN 3 PH
SAN JOAQUIN 1A PH
Redinger Lake
SAN JOAQUIN 2 PH
BIG CREEK 4 PH
WISHON PH
Kerckhoff Lake
Auberry
KERCKHOFF 1 PH
KERCKHOFF 2 PH
Millerton Lake
168


Pacific Gas and Electric Company
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PG&E FERC Project No. 2155
PG&E FERC Project No. 1403
Other
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Forebay
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Meadow L.
Fordyce L.
Kidd L.
Jackson Meadows Res.
L. Sterling
Peak L. (2)
Up. & Lo. Rock L.
Culbertson L.
Feeley L. (2)
Bowman Lake
Blue L.
Lake Valley Res.
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3 PH
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Bowman Conduit
L. Spaulding
Rucker L.
Fuller L.
SPAULDING 1 PH
SPAULDING 2 PH
Lake Valley Canal
Main So Yuba Canal
Drum Canal
Upper Boardman Canal
DRUM 2 PH
Drum Forebay
Towle Canal
Deer Creek Forebay
DRUM1 PH
Alta Forebay
DEER CREEK PH
Drum Afterbay
ALTA PH
Scotts Flat Res.
Dutch Flat 2 Forebay
DUTCH FLAT 2 PH
DUTCH FLAT 1 PH
Dutch Flat Afterbay
CHICAGO PARK PH
Rollins Res.
ROLLINS PH
So Fork Yuba River
North Fork American River
Bear River Canal
Bear River
Halsey Forebay
HALSEY PH
Halsey Afterbay
Englebright Res.
Rock Creek Res.
Wise Canal
Auburn
Wise Forebay
NARROWS 1 PH
NARROWS 2 PH
WISE PH
WISE 2 PH
South Canal
NEWCASTLE PH
Yuba River
Newcastle
Folsom Lake
Slab Creek Res.
American River
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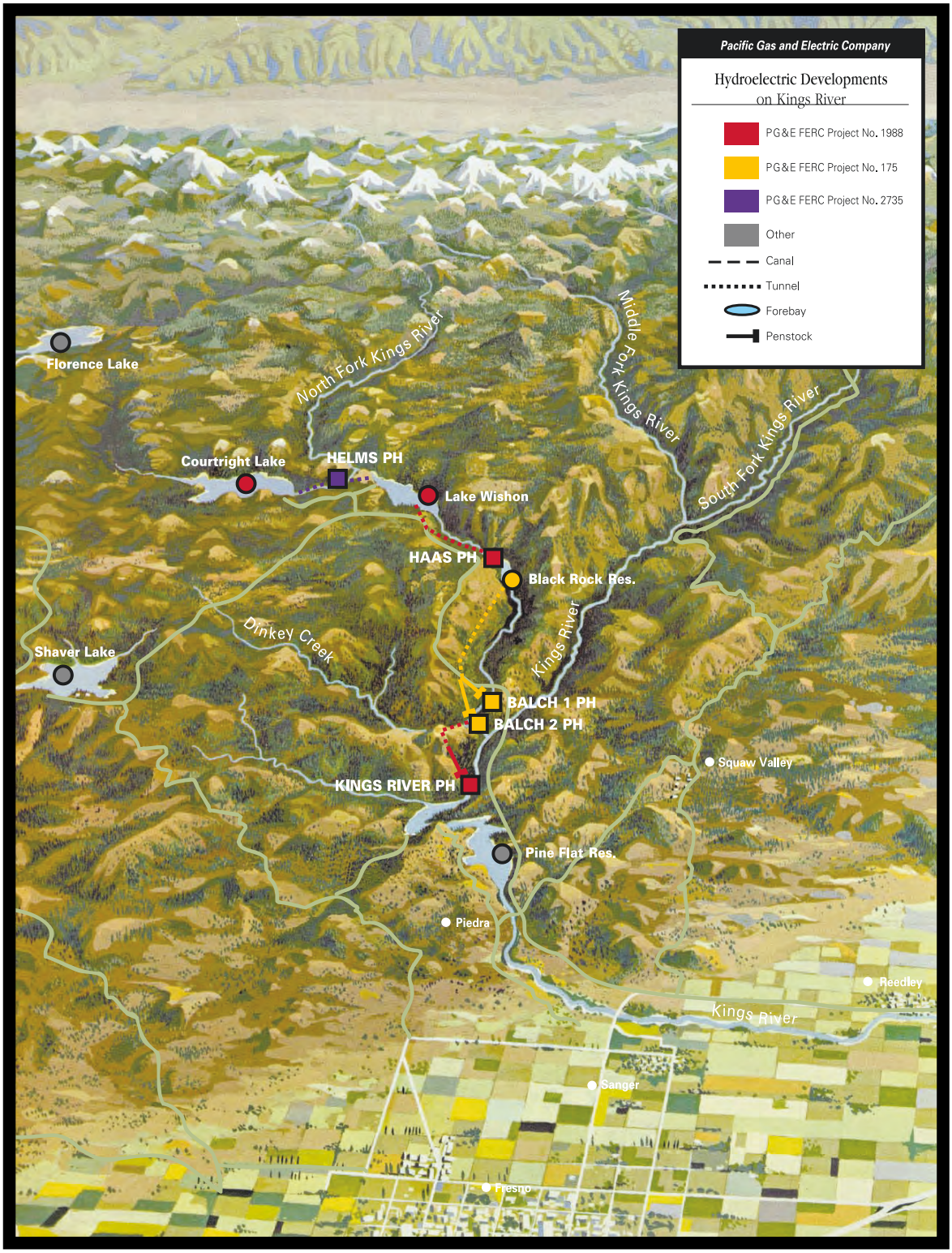
Chili Bar Res.
CHILI BAR PH
South Fork
Placerville
80
20
49
50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Canal
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Forebay
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Florence Lake
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Middle Fork Kings River
South Fork Kings River
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HELMS PH
Lake Wishon
HAAS PH
Black Rock Res.
Dinkey Creek
Kings River
Shaver Lake
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BALCH 2 PH
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Piedra
Reedley
Kings River
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Fresno

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BIG CREEK 2 PH
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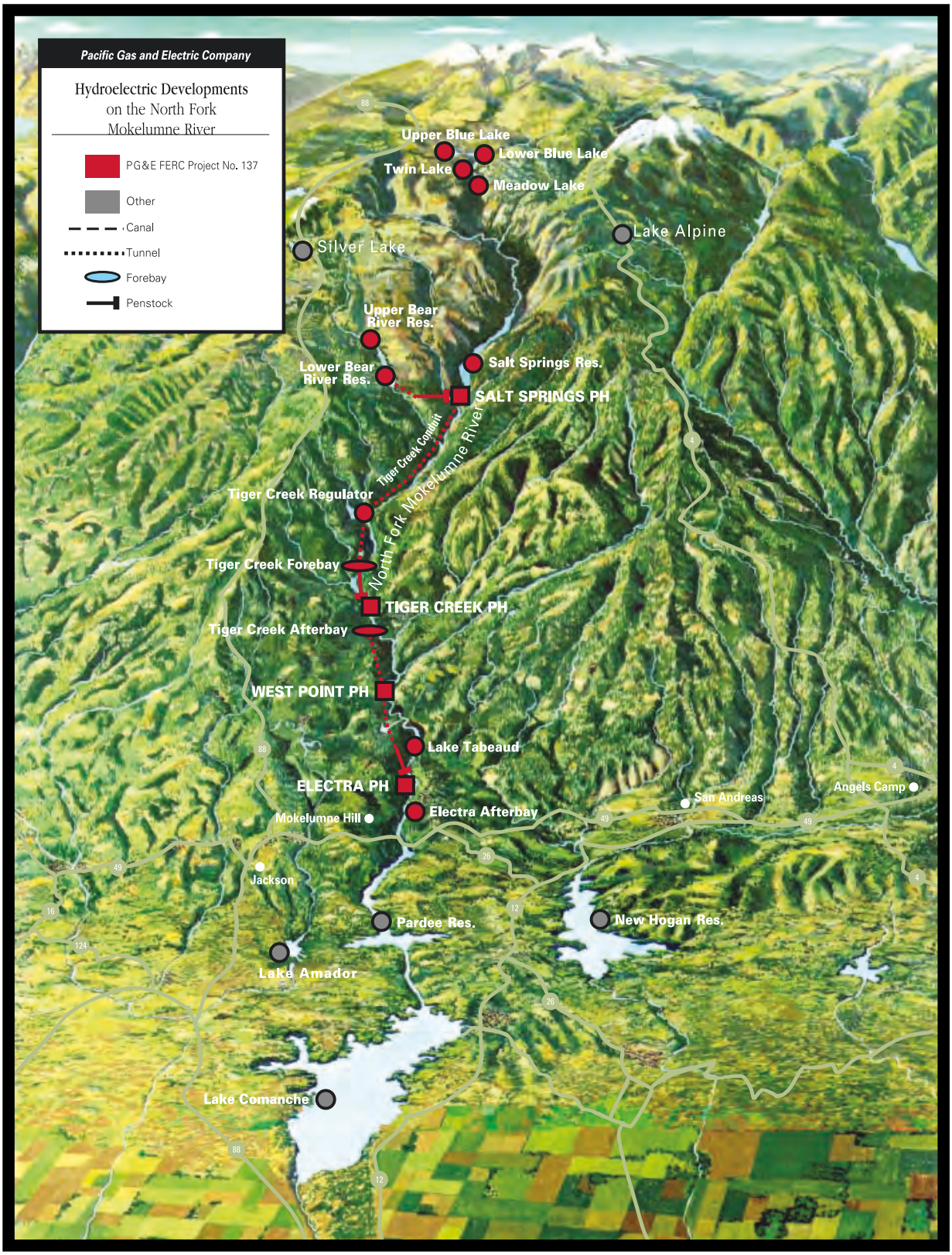
BIG CREEK 3 PH
CRANE VALLEY PH
SAN JOAQUIN 3 PH
SAN JOAQUIN 1A PH
Redinger Lake
SAN JOAQUIN 2 PH
BIG CREEK 4 PH
168
WISHON PH
Kerckhoff Lake
Auberry
KERCKHOFF 1 PH
KERCKHOFF 2 PH
Millerton Lake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PG&E FERC Project No. 137
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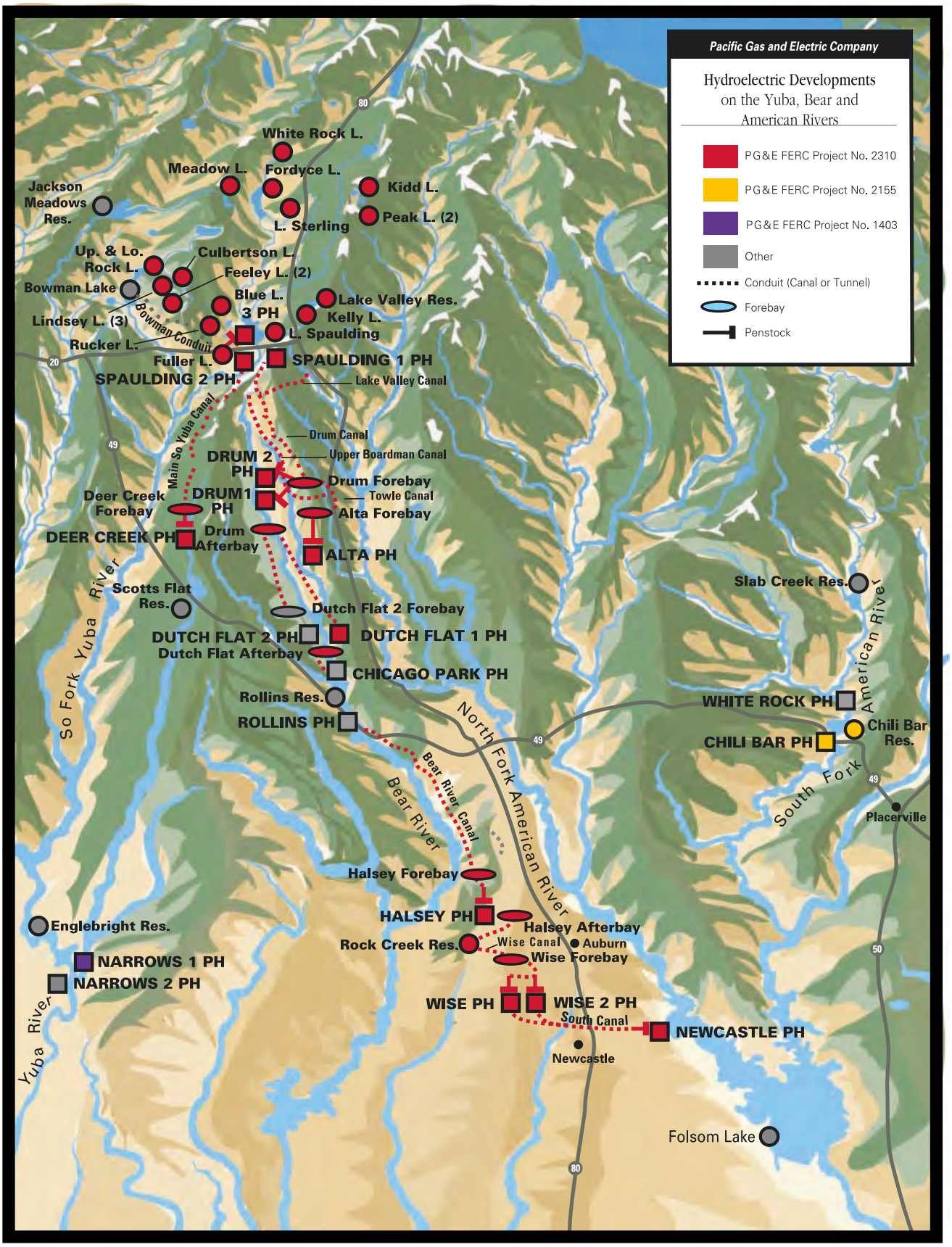
Lower Blue Lake
Twin Lake
Meadow Lake
Lake Alpine
Silver Lake
Upper Bear River Res.
Lower Bear River Res.
Salt Springs Res.
SALT SPRINGS PH
Tiger Creek Conduit
North Fork Mokelumne River
Tiger Creek Regulator
Tiger Creek Forebay
TIGER CREEK PH
Tiger Creek Afterbay
WEST POINT PH
Lake Tabeaud
ELECTRA PH
Electra Afterbay
Mokelumne Hill
San Andreas
Angels Camp
Jackson
Pardee Res.
New Hogan Res.
Lake Amador
Lake Comanche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PG&E FERC Project No. 2155
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CHILI BAR PH
South Fork American River
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HALSEY PH
Halsey Afterbay
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Rock Creek Res.
Wise Canal
Auburn
Wise Forebay
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WISE 2 PH
South Canal
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Yuba River
Newcastle
Folsom Lake
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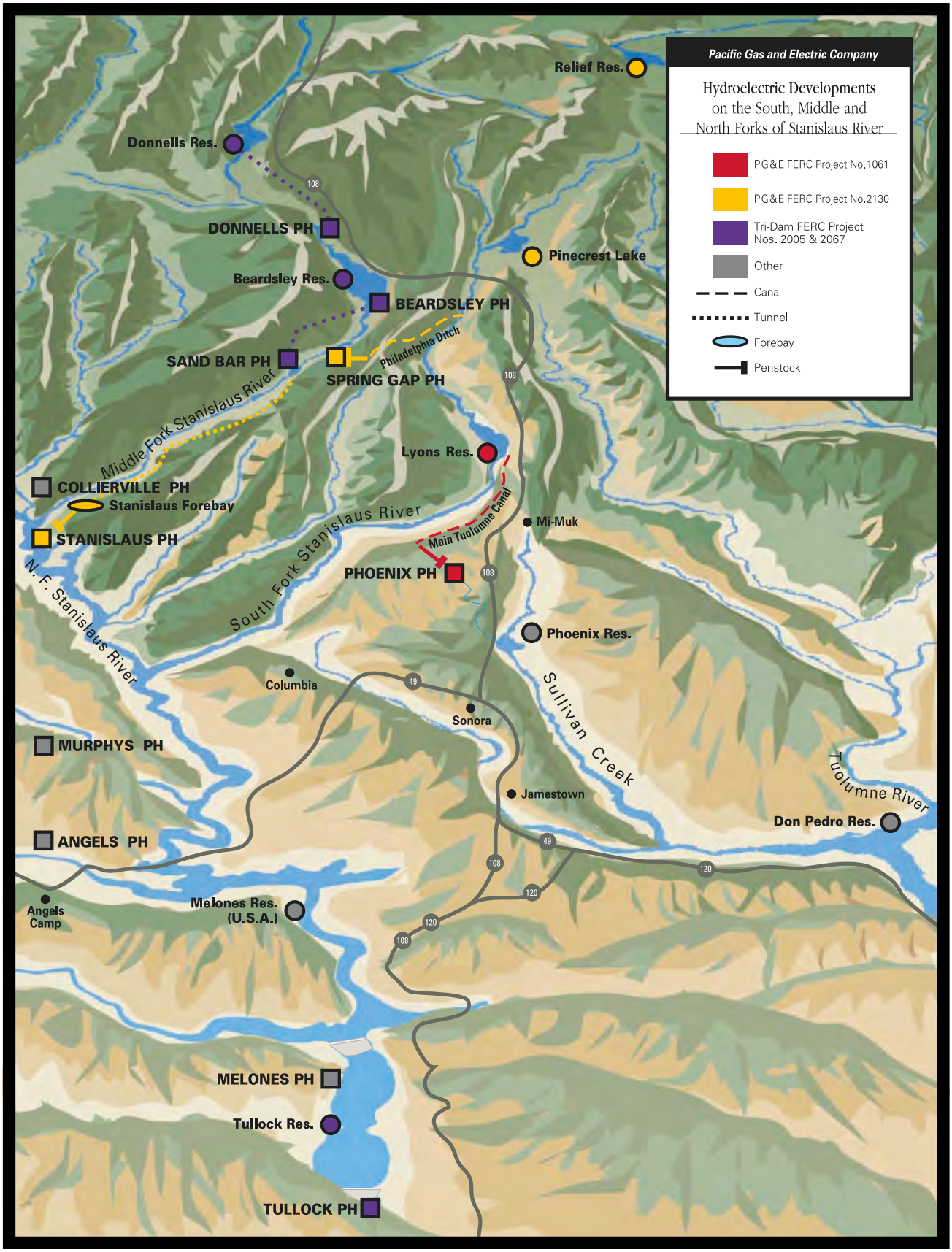
Pacific Gas and Electric Company
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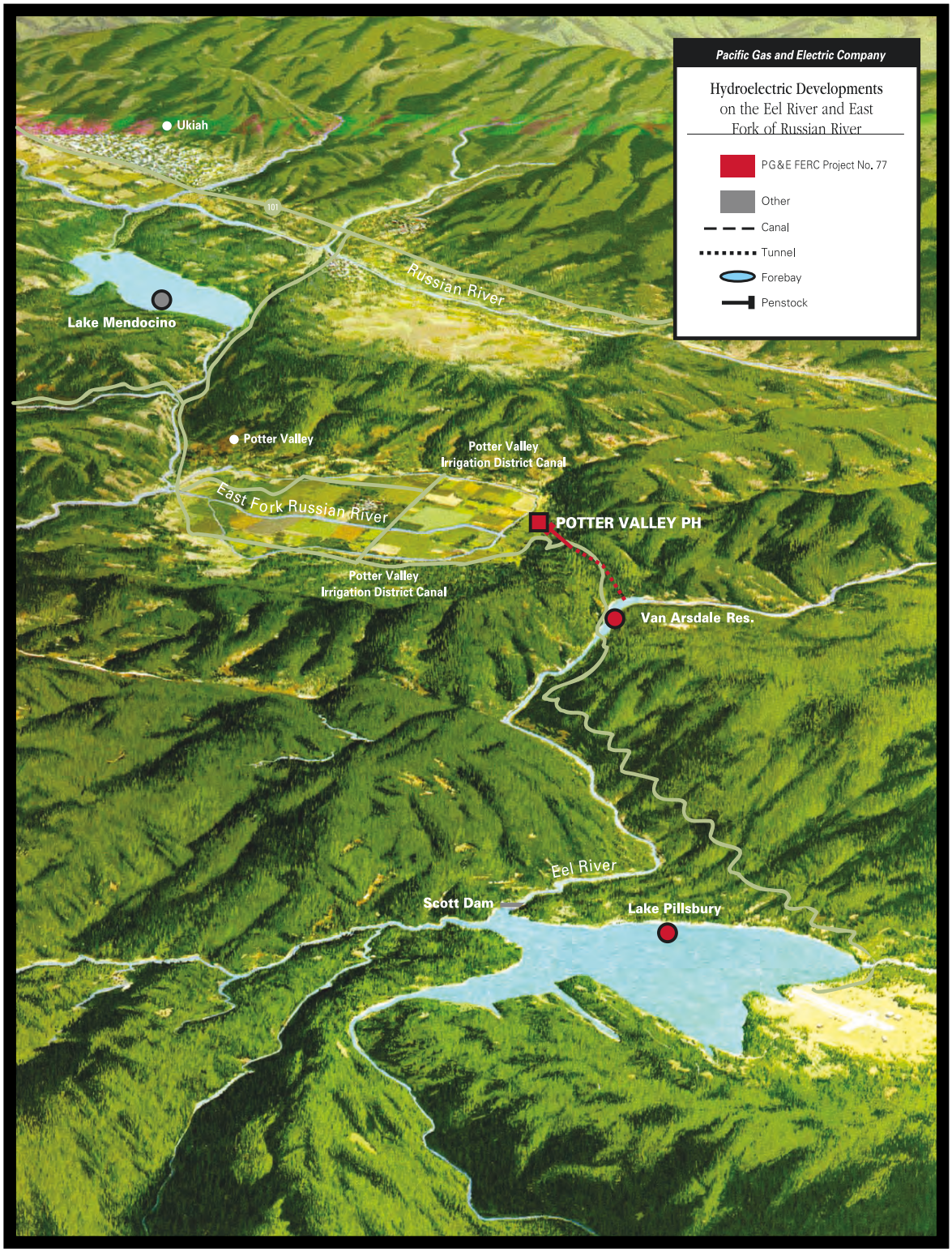
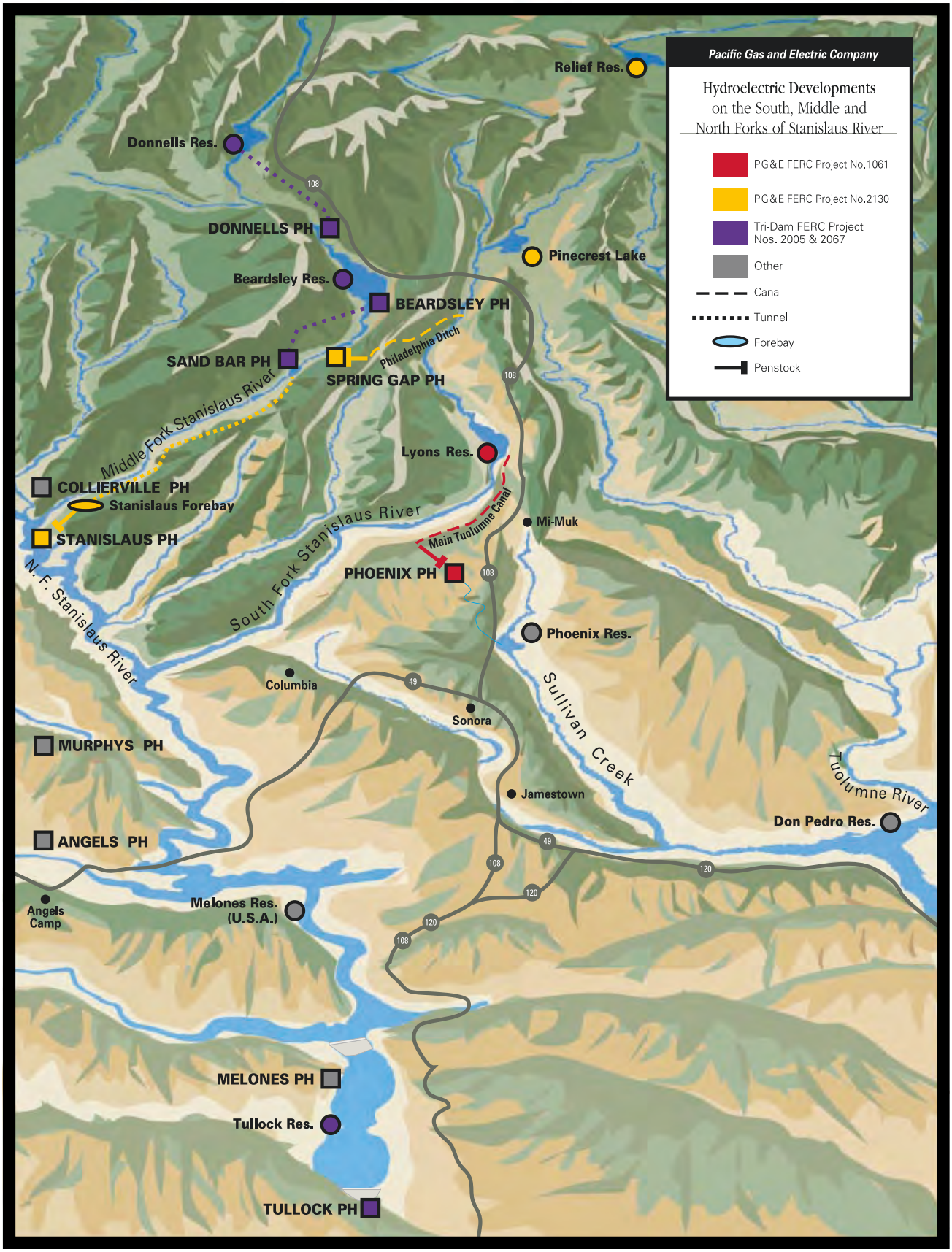
on the South, Middle and
North Forks of Stanislaus River
PG&E FERC Project No. 1061
PG&E FERC Project No. 2130
Tri-Dam FERC Project
Nos. 2005 & 2067
Other
Canal
Tunnel
Forebay
Penstock
Relief Res.
Donnells Res.
DONNELLS PH
Pinecrest Lake
Beardsley Res.
BEARDSLEY PH
SAND BAR PH
Philadelphia Ditch
SPRING GAP PH
Middle Fork Stanislaus River
Lyons Res.
COLLIERVILLE PH
Stanislaus Forebay
STANISLAUS PH
Main Tuolumne Canal
Mi-Muk
South Fork Stanislaus River
PHOENIX PH
N. F. Stanislaus River
Phoenix Res.
Columbia
Sonora
Sullivan Creek
MURPHYS PH
Jamestown
Tuolumne River
Don Pedro Res.
ANGELS PH
Angels Camp
Melones Res. (U.S.A.)
MELONES PH
Tullock Res.
TULLOCK PH
108
49
120


Pacific Gas and Electric Company
Hydroelectric Developments
on the Eel River and East
Fork of Russian River
PG&E FERC Project No. 77
Other
Canal
Tunnel
Forebay
Penstock
Ukiah
101
Russian River
Lake Mendocino
Potter Valley
Potter Valley
Irrigation District Canal
East Fork Russian River
POTTER VALLEY PH
Potter Valley
Irrigation District Canal
Van Arsdale Res.
Eel River
Scott Dam
Lake Pillsbury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Tri-Dam FERC Project
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Philadelphia Ditch
SAND BAR PH
SPRING GAP PH
Middle Fork Stanislaus River
Lyons Res.
COLLIERVILLE PH
Stanislaus Forebay
STANISLAUS PH
Mi-Muk
Main Tuolumne Canal
South Fork Stanislaus River
PHOENIX PH
N. F. Stanislaus River
Phoenix Res.
Columbia
Sonora
Sullivan Creek
MURPHYS PH
Jamestown
Tuolumne River
Don Pedro Res.
ANGELS PH
Angels Camp
Melones Res. (U.S.A.)
MELONES PH
Tullock Res.
TULLOCK PH
108
49
120

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 2

ATTACHMENT C

SUMMARY OF THIRD-PARTY USES ON THE LAND TO BE TRANSFERRED TO PACIFIC GENERATION

SUMMARY OF THIRD-PARTY USES ON PG&E LANDS[1]

Description of Third-Party Use	Number of Agreements
Licenses authorizing ingress and egress over and across PG&E lands.	6
Leases and Licenses for the use of PG&E lands for agricultural purposes (e.g., apiaries, vineyards, tree farms, fish hatcheries, etc.).	7
Leases and Licenses authorizing the installation, operation, and maintenance of private boat docks, stairways & walkways and related facilities on PG&E lakes and reservoirs.	1,141
Licenses authorizing the use of PG&E lands for cattle grazing.	9
Leases and License authorizing the use of PG&E lands for scientific investigations, data collection, and monitoring of environmental conditions.	6
Licenses authorizing the use of PG&E lakes and reservoirs for the operation of private commercial marinas.	5
Leases and Licenses authorizing the commercial use of PG&E lands (e.g., mining, parking).	34
Leases and Licenses authorizing the use of PG&E lands for the installation of infrastructure related to activities supporting scientific studies, protection of wildlife, public information (kiosks), etc.	11
Lease and Licenses authorizing the use of PG&E lands for various public uses including fire station, boat launch, seismic monitoring, sewage treatment facilities, weather station and airport taxi strip.	10
Leases and License authorizing the use of PG&E lands for recreational purposes (including parks, campgrounds, day-use areas, etc.).	28
Leases and Licenses authorizing the use of PG&E lands for the construction and replacement of recreational private residences.	115
Licenses from PG&E authorizing the placement and management of riprap along the shorelines of PG&E lakes and reservoirs.	9

[1] Total number of agreements reflects readily available information and is subject to change upon more detailed evaluation of real property.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 3

DESCRIPTION OF PACIFIC GENERATION

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 3
DESCRIPTION OF PACIFIC GENERATION

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 3
DESCRIPTION OF PACIFIC GENERATION

A. Introduction

This chapter provides an overview of Pacific Gas and Electric Company's (PG&E) new, rate-regulated generation subsidiary, Pacific Generation LLC. Following the closing of the Proposed Transaction, and as described in additional detail in Chapter 2, Pacific Generation will own substantially all of the non-nuclear generation assets currently owned and operated by PG&E and will assume certain liabilities and contracts relating to the generation business. Pacific Generation's future relationship with PG&E is discussed in more detail in Chapter 4. This chapter focuses on Pacific Generation's proposed structure, management, and operations as a certificated generation-only utility regulated by the California Public Utilities Commission (Commission). This includes discussion of the following:

- Pacific Generation's status as a limited liability company, and its proposed governance structure;
- Pacific Generation's status as a cost-of-service rate-regulated utility and request for a Certificate of Public Convenience and Necessity (CPCN), including discussions of Pacific Generation's service to customers and service territory; and
- Pacific Generation's management and employees.

B. Pacific Generation's Structure and Governance

PG&E proposes that the Commission issue a CPCN to Pacific Generation, a limited liability company organized under Delaware law, to operate as an "electrical corporation"[1] subject to rate regulation by the Commission. A limited liability company is a business entity with some similarities to a corporation, notably that its owners are generally not liable for its debts or liabilities, and with some similarities to a partnership, including its more flexible governance structure. Certain aspects of Pacific Generation's tax structure are described in more detail in Chapter 8.

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1 See Cal. Public Utilities Code (Pub. Util. Code) § 218 (defining "electrical corporation").

Currently, PG&E owns 100 percent of the equity interests of Pacific Generation. Prior to the sale of equity interests of Pacific Generation to one or more third party investors, PG&E will transfer 1 percent of the equity interests of Pacific Generation to a newly formed, wholly owned subsidiary (New Holdco). Because PG&E will hold its equity interests in Pacific Generation both directly and also indirectly through its subsidiary New Holdco, Pacific Generation will be a partnership for federal and state income tax purposes prior to the sale of Pacific Generation's equity to Minority Investor(s), which has certain tax consequences as discussed further in Chapter 8. Assuming PG&E sells 49.9 percent of the equity interests in Pacific Generation to Minority Investor(s), PG&E will, directly and indirectly through New Holdco, own the remaining 50.1 percent of Pacific Generation's ownership interests. Thus, PG&E will maintain majority ownership and control of Pacific Generation through its direct and indirect holdings of Pacific Generation equity interests.

Pacific Generation will be managed by a Board of Managers (the Board, and each manager, a Manager). The President of Pacific Generation will serve as a Manager, and a majority of the Managers will be appointed by PG&E. Each Minority Investor owning 10 percent or more of the Pacific Generation Interests will be entitled to appoint one Manager (or two Managers, in the case of a Minority Investor owning more than 40 percent of the Pacific Generation Interests).[2] The Board generally will make decisions based on the vote of the Managers representing a majority of the outstanding Pacific Generation Interests, which means that PG&E will generally control such decisions by virtue of its ownership of a majority of the outstanding Pacific Generation Interests. As discussed in further detail in Chapter 5, there are certain types of decisions by Pacific Generation that will require the concurrence of Minority Investor(s) holding at least a designated percentage of the Pacific Generation Interests. These governance rights will be limited to those appropriate to ensure that the

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2 We note the following for illustrative purposes only: If two Minority Investor(s) each acquire 24.9 percent of the Pacific Generation Interests, the Board will initially consist of 7 Managers: four appointed by PG&E, the Pacific Generation President, and one appointed by each of the two Minority Investor(s). If four Minority Investor(s) each acquire 12.475 percent of the Pacific Generation Interests, the Board will initially consist of 11 Managers: six appointed by PG&E, the Pacific Generation President, and one appointed by each of the four Minority Investor(s).

Minority Investor(s) can protect their economic investment in Pacific Generation and will not convey to the Minority Investor(s) operational or day-to-day control over Pacific Generation.

As discussed in further detail in Chapter 11, Pacific Generation will have a Management Team reporting to the Pacific Generation Board. The Board may form Board committees as necessary and appropriate.

C. Pacific Generation's Status as a Rate-Regulated Public Utility

With the application, PG&E requests that the Commission issue a CPCN to Pacific Generation to operate as an "electrical corporation." Specifically, Pacific Generation would own "electric plant" in the form of property owned in connection with or to facilitate the generation of electricity. Pacific Generation would dedicate such assets to the service of the public in PG&E's existing electrical service area. Pacific Generation's provision of generation service would be regulated, as PG&E's is today, by the Commission under cost-of-service ratemaking principles.

As recognized by the California Legislature, retail customers who are or were served by the utility benefit from cost-of-service regulation of utility-owned generation. See Pub. Util. Code § 377. Commission cost-of-service regulation of utility-owned generation provides customers with a long-term hedge against wholesale market price fluctuations. This is particularly important when supply shortages cause wholesale prices to skyrocket, as occurred in the California energy crisis of 2000-01 and in other jurisdictions. The recent heatwave and related price fluctuations further demonstrated the importance of generation assets as a hedge. Pacific Generation's assets provide an attractive hedge for customers. In addition, the diversity of fuel sources and operating characteristics for Pacific Generation's assets provides a hedge against, for example, spikes in natural gas prices.

By issuing a CPCN to Pacific Generation, the Commission can preserve these benefits for customers. The Commission would continue to regulate Pacific Generation by setting its authorized revenue requirement based on cost-of-service, thereby ensuring that Pacific Generation's customers will pay no more than the costs associated with these assets. To the extent that market revenues for Pacific Generation's assets are greater or less than Pacific Generation's authorized revenue requirement, departed load customers on

whose behalf these assets were put into service will receive a credit or charge, consistent with the existing Power Charge Indifference Adjustment methodology, as further described in Chapter 9. This approach replicates the Commission's current regulation of the generation assets that would be transferred to Pacific Generation.

Pacific Generation's service territory will be co-extensive with PG&E's service territory. Pacific Generation will have its own tariffs reflecting the revenue requirement approved by the Commission, and it will thus have the legal authority to recover from retail customers consistent with that tariff.

Pacific Generation will not sell power to PG&E. Such a wholesale sale could be subject to the Federal Energy Regulatory Commission's exclusive jurisdiction. Instead, Pacific Generation would have its own direct relationship with retail customers, and this Commission will have exclusive jurisdiction to set Pacific Generation's retail rates.

D. Pacific Generation's Management and Employees

1. Pacific Generation's Management

Pacific Generation's Officers will oversee and manage the day-to-day operations of Pacific Generation, subject to direction and oversight by the Board. Initially, we expect that the President will be employed solely by Pacific Generation,[3] whereas other Pacific Generation Officers will be employees of, and may also serve as Officers of, PG&E and/or PG&E Corporation. Pacific Generation will bear a portion of the salary and benefits of the PG&E or PG&E Corporation employees that serve as Pacific Generation Officers as part of their duties. Cost of salary and benefits will be allocated based upon an estimated portion of employee time spent on work for Pacific Generation and PG&E and will be implemented through one of the intercompany agreements to be entered into between Pacific Generation and PG&E at the closing of the Proposed Transaction, as discussed in Chapter 4 (Intercompany Agreements). Pacific Generation will pay all of the salary of any Officer who is employed solely by Pacific

[3] The President may be employed by PG&E and seconded to Pacific Generation under terms that define their duties as running solely to Pacific Generation. Alternatively, if they are employed directly by Pacific Generation, payroll, benefits, and similar functions may be administered by PG&E.

Generation and, to the extent practicable, such Officers will be permitted to participate in, or be covered by, PG&E or PG&E Corporation employee benefits generally available to Officers of PG&E or PG&E Corporation if such participation is requested by the Board. The costs of such participation will be reimbursed by Pacific Generation pursuant to one of the Intercompany Agreements. Consistent with Pub. Util. Code Section 706, Pacific Generation's cost of executive compensation is not recoverable in retail rates.

As codified in Pub. Util. Code Section 8389(e)(4) and (e)(6), Assembly Bill 1054 sets forth certain requirements related to executive compensation for an electrical corporation to receive a safety certification. Any Pacific Generation Officers who are not also PG&E Executive Officers will participate in an incentive compensation program that complies with these statutory requirements. For those Pacific Generation Officers who are also PG&E Officers, Pacific Generation will comply with these statutory requirements through the PG&E incentive compensation program; such Officers will not receive any additional incentive or other compensation from Pacific Generation.

2. Pacific Generation's Employees

As discussed in further detail in Chapter 4, PG&E employees will continue to operate and maintain Pacific Generation's assets, and provide services to and support, Pacific Generation's business, pursuant to the Intercompany Agreements, which will include: operations and services agreements, corporate services agreements, and a billing services agreement. Apart from the President of Pacific Generation, Pacific Generation is not currently anticipated to have any direct employees. This is consistent with the overall objective of the transaction to allow for outside investment in the ownership of Pacific Generation's assets and Pacific Generation's power generation business without changing the manner in which those assets are maintained, operated, and regulated or in which the generation business is managed.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 4

PACIFIC GENERATION'S FUTURE RELATIONSHIP WITH PG&E

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 4
PACIFIC GENERATION'S FUTURE RELATIONSHIP WITH PG&E

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 4
PACIFIC GENERATION'S FUTURE RELATIONSHIP WITH PG&E

A. Introduction (*A. Williams*)

This chapter provides an overview of the future working relationship between Pacific Gas and Electric Company (PG&E) and Pacific Generation. Through the Proposed Transaction—and as explained in more detail in Chapter 2—Pacific Generation would own substantially all of the non-nuclear generation assets currently owned and operated by PG&E. PG&E will continue to operate and maintain these generation assets in substantially the same manner as today, using the same employees, practices, and policies.

This chapter discusses the key intercompany agreements between Pacific Generation and PG&E (the Intercompany Agreements), which currently are anticipated to include operations and services agreements, covering, among other things: operations and maintenance, and shared services to be performed by PG&E and its employees and contractors to ensure the continued construction, operation, maintenance, repair, and support of the generation assets by PG&E; corporate services agreements to provide certain services to Pacific Generation such as finance, human resources, and safety and risk management services; a scheduling and dispatch agreement, pursuant to which PG&E will continue dispatching and scheduling the output generated by the assets using the same least-cost dispatch approach used today; a fuel procurement agreement, pursuant to which PG&E may procure fuel, including natural gas, and other necessary resource inputs (such as electricity for battery storage facilities) for certain of Pacific Generation's generation assets; interconnection agreements; an Officer services agreement, whereby certain employees of PG&E or PG&E Corporation will serve as Officers of Pacific Generation and Pacific Generation Officers who are not PG&E employees will be permitted to participate in certain PG&E employee benefits; a billing services agreement; a legal and regulatory matters agreement; and a wildfire indemnification agreement.

This chapter also details the Proposed Transaction's consistency with Section 362 relating to system reliability and consistency.

B. PG&E and Pacific Generation's Intercompany Agreements (*M. Schonherr; A. Williams*)

PG&E and Pacific Generation will establish a series of Intercompany Agreements in order to provide for the ongoing operation of Pacific Generation's assets. These agreements will ensure that Pacific Generation and Pacific Generation's facilities continue to be operated in the same manner as today by the same experienced PG&E personnel; continue to schedule and dispatch output into the California Independent System Operator (CAISO) market in the same manner as today; and recover revenue requirements jointly with PG&E through a single bill. This testimony addresses the proposed nature and scope of these agreements between PG&E and Pacific Generation, which will govern post-closing operations.

Under the terms of the Intercompany Agreements, PG&E will charge Pacific Generation periodically for the various services it provides, and the materials and supplies it purchases on behalf of Pacific Generation, in accordance with the compensation methodologies described below. However, for billing and other services and expense items (such as wildfire liability insurance) that are not currently billed to the Power Generation line of business (LOB) within PG&E—given the rate case cycle, cost of service ratemaking under which no profit is made on such services or expense items, and that PG&E and Pacific Generation generally will have the same customer base—the cost of such services will be collected by PG&E in PG&E rates until the next General Rate Case (GRC). In the Test Year (TY) 2027 GRC, PG&E and Pacific Generation intend to address—and the California Public Utilities Commission (CPUC or Commission) would determine—the portion of such costs that relate to Pacific Generation for inclusion in Pacific Generation's revenue requirement.

1. Operations and Services Agreements (*A. Williams*)

At the closing of the Proposed Transaction, PG&E and Pacific Generation will enter into one or more operations and services agreements under which PG&E will continue to construct, operate, maintain, repair, and support Pacific Generation's generation assets on an ongoing basis in substantially the same manner as today using PG&E's experienced personnel and contractors. Such services will encompass all functions necessary to run the generation assets on an ongoing basis, in compliance

with applicable law and in accordance with applicable utility practices and subject to limitations on liability, including liability caps for actual damages and no liability for any indirect, consequential or punitive damages incurred by the other party. PG&E will act as the operations manager of, and provide Pacific Generation with the necessary support services for, each of Pacific Generation's facilities, and will act as Pacific Generation's agent with respect to the procurement of materials and supplies. These agreements will set forth—among other things—the nature and scope of services to be provided by PG&E, the responsibilities and rights of Pacific Generation, the obligations of PG&E, the method of compensation of PG&E for the services provided to and materials procured for Pacific Generation, and other covenants.

Today, most of the functions necessary for generation are performed by Power Generation, while certain ancillary functions—such as Environmental Management, Land Management, and Aviation and Transportation Services—are provided by distinct LOBs, the costs for all of which are directly assigned to generation. This process is reflected in the generation revenue requirement proposed in PG&E's 2023 GRC application.

The services required to run Pacific Generation and covered by these agreements are proposed to include (but are not limited to):[1]

- Operation, maintenance, and repair of hydroelectric, natural gas fired and solar generating facilities, and battery storage facilities;
- Condition assessment of generation equipment and infrastructure, asset management, facility safety, and corrective actions management;
- Water planning and management;
- Engineering, technical training, documentation and records management, and generation security;
- Project management, outage management, inspection, and contract management;
- Facility construction;

[1] Certain of the services discussed below, which would be directly charged, are provided by groups that may also provide corporate services, which would be allocated between PG&E and Pacific Generation as discussed in the following section.

- Portfolio strategy and management, regulatory planning, and business and financial planning;
- Hydro licensing, hydro license compliance management, recreation management, and regulatory permit acquisition and compliance;
- Land and land rights acquisition, land disposition, land rights management, real property management, vegetation management, timber resources management, land surveying, Land Conservation Commitment implementation and compliance, and land use permit acquisition and compliance;
- Corporate real estate strategy and support;
- Environmental remediation, hazardous materials management, water quality and air quality management, biological and cultural resources management, and environmental permit acquisition and compliance;
- Aviation and transportation support;
- Supply chain and materials support;
- Information technology (IT) systems and support;
- Cyber security support;
- Electric system protection; and
- Other support functions of PG&E with dedicated groups servicing power generation.

2. Corporate Services Agreements (*A. Williams*)

At closing, PG&E and Pacific Generation will enter into corporate services agreements, pursuant to which PG&E will provide Pacific Generation with the corporate services support PG&E currently provides to its LOBs, in substantially the same manner as today, using PG&E's experienced personnel and contractors. PG&E will allocate relevant charges to Pacific Generation for services under the agreements using the applicable Commission-approved cost allocation methodology, which PG&E currently uses to allocate such costs among its operating functions and has described in its 2023 GRC application.

The services provided under the corporate services agreements will cover (but are not limited to):

- Human resources;

- Finance—including cash management and other treasury services and insurance;
- Corporate affairs;
- Corporate communications;
- Safety and risk;
- Legal;
- IT; and
- Compliance and ethics.

3. Scheduling and Dispatch Agreement (*A. Williams*)

PG&E and Pacific Generation will enter into a scheduling and dispatch agreement addressing PG&E's obligation to dispatch and schedule the output from Pacific Generation's assets in accordance with applicable law and regulation. Under this agreement, PG&E will schedule and dispatch the full output from Pacific Generation's facilities into the CAISO market under existing least-cost dispatch principles as part of an integrated resource portfolio. The same PG&E team that undertakes these dispatching and scheduling efforts for PG&E today will continue to do so for Pacific Generation assets under the terms of the agreement. The Proposed Transaction will have no functional effect on the manner in which output from these generation facilities is scheduled and dispatched today.

The scheduling and dispatch agreement will also address PG&E's responsibility for scheduling maintenance outages. PG&E's responsibilities in this regard will be unchanged from its current role. The scheduling and dispatch agreement will be filed with the Federal Energy Regulatory Commission (FERC), as it reflects practices that may affect wholesale rates. Nevertheless, FERC's jurisdiction to review this agreement will not affect the CPUC's exclusive jurisdiction to set Pacific Generation retail rates.

4. Interconnection Agreements (*M. Schonherr*)

At the closing of the Proposed Transaction, PG&E and Pacific Generation (and CAISO, for all transmission-interconnected facilities) will enter into interconnection agreements that will govern the interconnection between Pacific Generation's generation assets and PG&E's electric transmission and distribution grid. These agreements will acknowledge that

the interconnection equipment that ties the generation facilities to PG&E's electric grid on Pacific Generation's side of the Point of Interconnection will be transferred to Pacific Generation as part of the generation rate-base assets conveyed in the Proposed Transaction, and provide that such interconnection equipment will continue to be managed by PG&E as part of the services provided to Pacific Generation.

5. Billing Services Agreement (*A. Williams*)

Under a billing services agreement, PG&E will act as the billing agent and servicer for Pacific Generation. As explained in further detail in Chapters 9 and 10, Pacific Generation will use a variety of Commission-approved and regulated rates and charges to recover its revenue requirements. PG&E will calculate Pacific Generation's charges consistent with the relevant tariffs, collect these charges from Pacific Generation's customers and remit relevant collected payments to Pacific Generation.

6. Other Agreements (*A. Williams*)

Under a legal and regulatory matters agreement, PG&E will provide certain legal and government relations services to Pacific Generation, including: acting on behalf of Pacific Generation in matters involving the prosecution or defense of, or other participation in, legal and regulatory proceedings; the prosecution of Pacific Generation's GRCs before the Commission; the pursuit of corporate and commercial transactions; internal organizational governance; correspondence with federal, state, and local government authorities; ongoing legal and regulatory compliance; and the engagement of outside legal counsel and regulatory consultants. Insofar as PG&E provides such services to Pacific Generation, PG&E will be subject to direction from Pacific Generation. Pacific Generation's governance regarding the settlement of legal proceedings and certain significant transactions—among other matters—is discussed in Chapter 5. This agreement is intended to protect attorney-client privileged and other confidential communications—made between PG&E and Pacific Generation, or between either of PG&E and Pacific Generation, on one hand; and outside legal counsel, on the other—in connection with matters in which

PG&E is acting on behalf of Pacific Generation or PG&E and Pacific Generation are participating jointly. PG&E will allocate charges for these services using the Commission-approved cost allocation methodology.

Under an intercompany indemnity agreement proposed to be entered into at the closing of the Proposed Transaction, PG&E will agree to indemnify Pacific Generation for losses incurred by Pacific Generation arising from wildfires determined to have been caused by PG&E or Pacific Generation facilities or equipment. This agreement will address the wildfire insurance fund, commercial wildfire insurance procured by PG&E for which Pacific Generation is a loss payee or additional insured, and coordination of responses to third-party claims and inquires of governmental authorities. The terms of the indemnity agreement are expected to reflect discussions with the Wildfire Fund Administrator. This agreement will also describe indemnification procedures and limits on indemnification.

C. System Reliability and the Transaction's Consistency With Section 362 (*A. Williams*)

PG&E and Pacific Generation expect the Proposed Transaction to have no negative effects on system reliability, and therefore believe that the transaction is consistent with California Public Utilities Code (Pub. Util. Code) Section 362.[2] As explained above, the Intercompany Agreements between PG&E and Pacific Generation will maintain the operation, maintenance, dispatching, and scheduling of output of the transferred facilities in substantially the same manner as today. PG&E will continue to dispatch and schedule the electric generation output from Pacific Generation's facilities as part of an integrated resource portfolio, based on a least-cost dispatch process. While Pacific Generation will own the facilities, they will continue to be operated by PG&E's experienced

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2 Section 362(a) of the California Pub. Util. Code requires the Commission:

> "…ensure that facilities needed to maintain the reliability of the electric supply remain available and operational, consistent with maintaining open competition and avoiding an overconcentration of market power."

Section 362(b) requires the Commission ensure that:

> "…facilities located in the state that have been disposed of in proceedings pursuant to Section 851 are operated by the person or corporations who own or control them in a manner that ensures their availability to maintain the reliability of the electric supply system."

personnel using the same processes and guidelines employed today. Pacific Generation's facilities will continue to operate in a manner that makes them "availabl[e] to maintain the reliability of the electric supply system."[3]

[3] Cal. Pub. Util. Code § 362(b).

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 5

TRANSACTION & SALE PROCESS, MINORITY GOVERNANCE, & DISTRIBUTIONS

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 5
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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 5
TRANSACTION & SALE PROCESS, MINORITY GOVERNANCE, & DISTRIBUTIONS

This chapter outlines the Proposed Transaction process and key agreements with respect to the sale of up to a 49.9 percent minority equity interest in Pacific Generation (the Minority Equity Interests) to one or more investors (the Minority Investor(s)). It further outlines proposals for the governance rights that the Minority Investor(s) will have in Pacific Generation and summarizes Pacific Generation's distribution policy. This chapter is laid out in four parts:

- Part A outlines the proposed two-phase bidding process for marketing the Minority Equity Interests in Pacific Generation, explains how that process is designed to maximize the value Pacific Gas and Electric Company (PG&E) receives, and highlights precedent transactions that have succeeded in raising equity through a similar process.
- Part B outlines the key agreements that will govern the transaction with the Minority Investor(s): the proposed Amended and Restated Limited Liability Company Agreement of Pacific Generation and the proposed Minority Sale Agreement(s) (MSA) by and among PG&E, Pacific Generation, and each Minority Investor. Forms of these two agreements are attached to this chapter as Attachments A and B, respectively.
- Part C outlines the structure and duties of the Board of Managers of Pacific Generation (the Board) and the proposed governance rights that will accompany the Minority Equity Interests, including the proposed set of industry-standard consent, review, and consultation rights to be granted to Minority Investor(s) to protect the integrity of their financial interest.
- Part D outlines Pacific Generation's proposed distribution policy.

A. Marketing Process (*J. Plaster*)

1. The Proposed Marketing Process is Commercially Reasonable and Market Standard

PG&E and Pacific Generation, in consultation with Barclays, propose a competitive two-phase auction process for the sale of the Minority Equity Interests. This process would involve initial indicative bids and then final

binding bids, which is in line with the market standard for transactions of this type. During Phase I, investors will perform initial high-level due diligence and then provide indicative bids and any proposed changes to the transaction terms. During Phase II, a select set of investors will be invited to perform more detailed due diligence and then submit final binding offers. The final transaction documents will be the subject of negotiation with the winning bidder(s). This marketing and auction process is designed to enhance PG&E's negotiating position and maximize value by creating and then increasing competitive tension among a group of highly qualified potential investors.

At the outset of Phase I, PG&E and Barclays would identify and contact potential bidders, provide a detailed information package to each interested bidder, and solicit statements of interest. Before receiving any detailed information from PG&E and Barclays, each potential bidder would be required to enter into a confidentiality agreement preventing unauthorized disclosure and use of confidential information. Through this initial process, PG&E and Barclays would determine whether potential auction participants are sophisticated investors with sufficient financial capacity to complete the Proposed Transaction. Bidders would then be invited to submit initial, non-binding indicative bids for an interest in up to 49.9 percent of Pacific Generation and respond to PG&E's proposed transaction terms. PG&E and Barclays would identify a limited set of bidders to be invited to participate in Phase II of the process.

During Phase II, bidders would have the opportunity to conduct further, detailed due diligence and engage in negotiation of the relevant transactional documents, including those addressing the governance terms discussed below. Bidders would then be invited to submit a final binding bid. PG&E would evaluate any such bids, including comparing the proposed Pacific Generation investment valuation to the valuation of issuing additional stock by PG&E Corporation. If PG&E decides to proceed, PG&E would identify the winning bidder(s) for the acquisition of up to a 49.9 percent interest in Pacific Generation.

The proposed process aligns with the typical steps to complete similar investments in the Power & Utility sector and more broadly. Potential

investors will be familiar with these steps, as a two-phase process is widely used to solicit interest in an investment or acquisition where there are multiple potential counterparties willing to engage in a defined process.

2. PG&E Anticipates Considerable Interest Among Potential Investors Given the Success of Recent Minority Sale Transactions

Two recent transactions of a similar type to the minority sale transaction PG&E proposes here demonstrate the depth of interest among potential investors and the success of such transactions as a source of equity for regulated utilities and utility holding companies to fund significant capital expenditure projects.

In 2022, FirstEnergy Corporation, a regulated utility operating in the Midwest and Mid-Atlantic regions, completed the sale of a 19.9 percent minority stake in its transmission subsidiary, FirstEnergy Transmission, LLC, to Brookfield Super-Core Infrastructure Partners, an infrastructure fund, for $2.375 billion. FirstEnergy announced that the proceeds from the sale would be used in part to fund a capital expenditure program "focused on developing a more resilient and modern grid."[1] In 2021, Duke Energy Corporation, a utility holding company with regulated subsidiaries operating in the Carolinas, Florida, Ohio, Kentucky, and Indiana, announced the sale of a 19.9 percent minority stake in its regulated electric utility subsidiary in Indiana to GIC Private Limited, a sovereign wealth fund, for $2.05 billion. The proceeds from the sale were slated to help fund the $58-60 billion needed for Duke's five-year capital plan. Duke stated that the "innovative transaction structure" would "efficiently align with the company's capital needs," enabling it to forego a previously announced plan for raising $1 billion in common equity.[2]

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1 Press Release, *First Energy Completes Minority Interest Sale in Transmission Business* (May 31, 2022), at https://www.firstenergycorp.com/newsroom/news_articles/firstenergy-completes-minority-interest-sale-in-transmission-bus.html.

2 Press Release, *Duke Energy Partners with GIC to Secure Minority Investment in Duke Energy Indiana, Increases Long-Term EPS Growth Rate* (Jan. 28, 2021), at https://news.duke-energy.com/releases/duke-energy-partners-with-gic-to-secure-minority-investment-in-duke-energy-indiana-increases-long-term-eps-growth-rate.

Both electric utility subsidiary minority sale transactions represented a significant valuation premium versus a common stock issuance by the parent company. The $2.375 billion sale price for the 19.9 percent minority stake in FirstEnergy Transmission valued the subsidiary at 40 times its earnings for the last 12 months (based on company guidance), which favorably compared to a price/earnings ratio of 16.1 for the parent, FirstEnergy, based on the value of its common stock at the time of the transaction. The $2.05 billion sale price for the 19.9 percent minority stake in Duke Energy Indiana valued the subsidiary at 27.7 times its earnings for the last 12 months (based on company guidance), which favorably compared to a price/earnings ratio of 18.3 for the parent, Duke Energy, based on the value of its common stock at the time of the transaction. The premiums achieved in the FirstEnergy and Duke transactions demonstrate the interest among potential investors in the type of minority sale transaction PG&E proposes here.

3. Maximizing the Value of the Minority Equity Interests Depends on PG&E's Proposed Transaction Timing

PG&E and Barclays plan to initiate Phase I of the process for the sale of the Minority Equity Interests several months after filing this Application. PG&E's proposed schedule currently contemplates collecting Phase I indicative bids in February or March of 2023, after the California Public Utilities Commission (CPUC or Commission) issues a Scoping Memo; followed by Phase II, with the objective of signing with the winning bidder(s) in or around July 2023. After executing a MSA with each of the winning bidder(s), PG&E proposes to file a Tier 2 Advice Letter (AL) with the Commission to identify the Minority Investor(s) and submit related documentation.

Because of the considerable resources that bidders will need to devote to participate in Phase II, the process will not be successful unless bidders have confidence that the Commission is likely to grant the application for issuance of a certificate of public convenience and necessity to Pacific Generation as a regulated utility and for the sale of the Minority Equity Interests. It is therefore not feasible for PG&E to invite potential bidders into Phase II of the process before the Commission's regulatory approval

process has progressed to a point that potential bidders have a level of confidence that the process is likely to lead to a timely and successful conclusion. The proposed procedure is designed to meet this goal, which in turn will maximize the value received for the sale of the Minority Equity Interests.

Phase I will commence after the issuance of a Scoping Memo, which will signal to potential investors the issues that the Commission will consider and resolve. PG&E and Pacific Generation propose that the Assigned Commissioner issue a ruling in March 2023 identifying any suggested modifications to the proposed Pacific Generation governance or other pertinent regulatory compliance issues. While the ACR would not be a decision of the full Commission, it would nevertheless provide an important signal to potential investors of the viability of a transaction and would enable PG&E and Pacific Generation to take steps to respond to the ACR at the start of Phase II of the process.

4. The Proposed Marketing Process Aligns With the Process Approved by the Commission for the Natural Gas-Fired Power Plant Divestitures

PG&E's proposed regulatory and marketing processes follow the model used by the Commission to facilitate the sale of natural gas-fired power plants by the major California investor-owned utilities in the late 1990s. In those proceedings, the Commission approved the sale transactions before the auction process commenced, followed by a streamlined process to approve the purchaser and final transaction documents.[3] Those

[3] D.97-09-046, 75 CPUC 2d 340 (interim decision on PG&E's divestiture application); D.98-07-092, 81 CPUC 2d 347 (same for round 2); D.97-09-049, 75 CPUC 2d 461 (interim decision on Southern California Edison Company's (SCE) divestiture application); D.98-10-055, 82 CPUC 2d 451 (interim decision on San Diego Gas & Electric Company's (SDG&E) divestiture application); see also D.21-08-027 (decision authorizing sale of PG&E's headquarters building; PG&E filed the application in September 2020, entered into a proposed settlement in April 2021, modified the settlement following Administrative Law Judge comments, signed the contract to sell in May 2021, and Commission issued decision approving the sale in August 2021).

transactions also featured two-phase bidding processes.[4] In each proceeding, the Commission issued multiple interim decisions authorizing various phases of the transaction prior to knowing the identity of the winning bidder(s). For instance, the Commission issued an initial interim decision finding it reasonable to consider the application in phases and permitting the utility to commence the auction,[5] and a second interim decision clearing the way for final bids to be received,[6] prior to determination of the winning bidder. These proceedings also involved a compliance filing process for expedited review by the Commission of the outcome of the bidding process and the definitive transaction documents. The regulatory and marketing processes proposed by PG&E and Pacific Generation for the sale of the Minority Equity Interests substantially align with these prior transactions.

B. Key Transaction Agreements (*S. Rogers*)

Illustrative form agreements of the following key transaction documents are attached to this chapter, and summarized below:

1. Amended and Restated Limited Liability Company Agreement

The Amended and Restated Limited Liability Company Agreement of Pacific Generation (the LLC Agreement) will set out the proposed structure of Pacific Generation and the provisions that govern its management and operation.

Pacific Generation is a Delaware limited liability company (LLC), with ownership held in the form of limited liability company membership interests (Pacific Generation Interests). Each owner of Pacific Generation will be a member of the LLC. Pacific Generation will be managed by the Board. As

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4 See A.96-11-020 (PG&E's request for authorization to sell Morro Bay, Moss Landing, and Oakland fossil plants); A.98-01-008 (PG&E's request for authorization to sell Pittsburg, Contra Costa, and Potrero fossil plants and Geysers geothermal plants); A.96-11-046 (SCE's request for authorization to sell 12 fossil plants by the end of 1997); A.97-12-039 (SDG&E's request for authorization to sell two fossil plants and 17 combustion turbines).

5 D.97-09-046 (PG&E's initial fossil plant sales); D.98-07-092 (PG&E's second set of generation plant sales); D.97-09-049 (SCE's fossil plant sales); D.98-10-055 (SDG&E's fossil plant asset sales).

6 D.97-11-030, 76 CPUC 2d 508 (PG&E initial sale); D.98-11-064, 83 CPUC 2d 159 (PG&E second sale); D.97-11-075, 76 CPUC 2d 790 (SCE sale); D.98-12-012, 83 CPUC 2d 260 (SDG&E sale).

discussed in Part C, below, PG&E will control the Board through the ability of its managers collectively to vote PG&E's majority percentage of the outstanding Pacific Generation Interests.

As discussed in Chapter 3, PG&E currently owns 100 percent of the Pacific Generation Interests. Prior to selling any Pacific Generation Interests to Minority Investor(s), PG&E will transfer 1 percent of the Pacific Generation Interests to a new Delaware LLC to be formed and wholly-owned by PG&E (New Holdco). This structure enables the sale of Pacific Generation Interests to Minority Investor(s) to be treated as the sale of a partnership interest for tax purposes, which has certain tax consequences, as discussed further in Chapter 8. PG&E will then sell the Minority Equity Interests to one or more investors. Following such sale, New Holdco will continue to own 1 percent of the Pacific Generation Interests, and PG&E will own at least 49.1 percent; as a result, PG&E will directly and indirectly own at least 50.1 percent of the Pacific Generation Interests.

Following the transfer of assets from PG&E to Pacific Generation, Pacific Generation will incur new long-term debt financing such that its total debt issuances will correspond to the regulated capital structure approved by the Commission, which is proposed to be at least 52 percent equity. Pacific Generation will be the issuer of such debt, with no parent guarantors, and no collateral other than the assets and rights of Pacific Generation. To ensure this corporate separateness, the LLC Agreement includes customary covenants requiring Pacific Generation to operate as a standalone business separate from PG&E.

Pacific Generation's management will be responsible for creating Pacific Generation's annual budget and five-year business plan. PG&E, by virtue of its control of the Board, will have control over the approval of the budget and business plan, subject to the governance rights of the Minority Investor(s) discussed in Part C, below. While we expect Minority Investors will wish to make additional capital contributions to fund capital expenditure projects, they are not required to do so and will not be able to block any such projects that are approved in the budget. If a Minority Investor elects not to participate in an additional equity capital contribution to fund capital expenditures approved by the Board, PG&E may make such contribution, or

may raise such equity from third parties, with the result that the Minority Investor's equity interest in Pacific Generation will be diluted. Pacific Generation's Officers will be entitled to expend amounts as necessary for repairs, to respond to business emergencies, or as required by law or regulation.

Each Pacific Generation member will be permitted to transfer its equity interest in Pacific Generation to one or more of its wholly-owned related parties (provided that such transfer would not result in a new Pacific Generation member with lesser creditworthiness than the transferring Pacific Generation member), unencumbered and without the consent of the other members or the Board. After a 3-year lock-up period, a member will also be permitted to transfer its equity interest to one or more third party purchasers without the consent of the other members or the Board, but any such transfer will be subject to certain restrictions and protections for the remaining LLC members (i.e., right of first offer, drag-along rights, and tag-along rights).[7] If PG&E initially sells less than 49.9 percent of the Pacific Generation Interests to Minority Investor(s), PG&E's subsequent sale to other investors of additional Pacific Generation Interests (up to 49.9 percent in the aggregate outstanding at such time) will not be subject to any of these transfer restrictions. No Pacific Generation member may transfer its interest in Pacific Generation to certain prohibited persons as set forth on a schedule which will be provided to the Minority Investor(s).

Additional provisions of the LLC Agreement concerning the rights and duties of the Board and minority governance are discussed in Part C, below. A Form of the Amended and Restated Limited Liability Company Agreement of Pacific Generation is attached to this chapter as Attachment A.

2. Pacific Generation MSA

The Pacific Generation MSA(s) will set forth the terms of the proposed purchase and sale of the Minority Equity Interests between PG&E and one or more Minority Investors. If there is more than one Minority Investor, each Minority Investor will have a separate MSA with substantially similar terms.

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7 These restrictions and protections are included in the form of Amended and Restated Limited Liability Company Agreement attached to this chapter as Attachment A.

The separate transactions between PG&E and each Minority Investor will be cross-conditioned, such that the closings for each transaction will occur at the same time; provided that PG&E may waive the condition so that the closing for each transaction may occur at different times.

Major proposed terms of the MSA are as follows:

- The Parties: PG&E as seller of Pacific Generation Interests, the Minority Investor as buyer of Pacific Generation Interests, and Pacific Generation as the subject company. Pacific Generation will have received a contribution of the generation assets and will have assumed certain related liabilities from PG&E pursuant to the Separation Agreement prior to the purchase and sale closings (as described in Chapter 2).
- Sale and Purchase of Pacific Generation Interests: The Minority Investor will purchase up to 49.9 percent of the Pacific Generation Interests for cash. After closing, PG&E will own at least 49.1 percent of the Pacific Generation Interests, while New Holdco (100 percent PG&E owned) will own 1 percent of the Pacific Generation Interests, such that PG&E will directly and indirectly own at least 50.1 percent of Pacific Generation. The purchase price will be determined by the parties. At closing, the Minority Investor will pay the purchase price to PG&E in cash.
- Closing Conditions: The MSA will include customary regulatory closing conditions, including approvals by the Commission, the California Energy Commission, Federal Energy Regulatory Commission, the Committee on Foreign Investment in the United States (if required based on characteristics of the Minority Investor), and the Federal Communications Commission (if required). The transaction will not require antitrust clearance because it involves the acquisition of a minority interest in a LLC. The MSA will provide for other customary closing conditions, which will include, for example, completion of the asset transfer pursuant to the Separation Agreement, a bringdown of representations and warranties, and compliance with covenants, subject to certain materiality qualifiers.

- Closing: The closing of the sale of the Minority Equity Interests to the Minority Investor will occur within an agreed-upon number of business days following the satisfaction or waiver of the closing conditions and at least two calendar days following the completion of the asset transfer pursuant to the Separation Agreement. In addition, at the closing, PG&E, Pacific Generation, New Holdco, and the Minority Investor will execute the final amended and restated LLC Agreement.
- Representations and Warranties: The MSA will include representations and warranties of PG&E and the Minority Investor, which, viewed collectively with the representations and warranties contained in the Separation Agreement, will be customary for transactions of this type.
- Interim Operating Covenants: The MSA will include customary interim operating covenants for a transaction of this type, recognizing that the generation business will be in operation but Pacific Generation itself will be a non-operating shell company during the interim period between signing and closing (e.g., restrictions on Pacific Generation purchasing securities or any equity interests; on failing to maintain Pacific Generation's existence; on PG&E selling material generation assets; and on amending the organizational documents of Pacific Generation). These interim operating covenants also will include an obligation of PG&E to operate the generation assets in the ordinary course of business between signing and closing and will attach a disclosure schedule listing certain actions that may be taken by PG&E or Pacific Generation in the interim period despite the operating restrictions, such as, for example, closing the sale of certain preexisting agreements to sell hydroelectric generation facilities.
- Tax Matters: Pacific Generation will be responsible for any transfer taxes arising from the contribution of generation assets to Pacific Generation and the sale of Pacific Generation Interests to the Minority Investor. The party required by applicable law to pay any such taxes, to the extent necessary, shall be reimbursed by Pacific Generation.
- Regulatory Matters: The parties will use "reasonable best efforts" to obtain all regulatory approvals for the sale to the Minority Investor, but PG&E will not be required to take or agree to take any action that

constitutes a "Burdensome Condition" in connection with the sale. A "Burdensome Condition" will include specified regulatory requirements that would reasonably be expected to have a material adverse effect on PG&E, Pacific Generation, or the generation business. A Burdensome Condition will include any requirement to share a portion of the proceeds of the equity sale with PG&E customers.

- Drop Dead Date: PG&E and the Minority Investor will each have the right to terminate the MSA if the closing has not occurred within six months after the date of the MSA, provided that this termination date may unilaterally be extended by any party in 3-month increments for up to one year after the date of the MSA if certain closing conditions (i.e., regulatory approvals) have not been satisfied, or otherwise may be extended upon mutual agreement of the parties.
- Indemnification: PG&E and the Minority Investor will agree to indemnify each other for any losses arising from the breach of any covenant or agreement contained in the MSA. The Minority Investor is expected to obtain a buyer-side representation and warranty insurance policy, which would be expected to provide coverage for the inaccuracy or breach of any representation or warranty of PG&E in the MSA.[8]

The MSA will be governed by Delaware law, with specific performance as an available remedy. A Form of the MSA is attached to this chapter as Attachment B.

C. Minority Investor Governance Rights (*S. Rogers*)

1. Board of Managers

Pacific Generation's Board will have responsibility for the management of the company under the LLC Agreement and applicable law and regulation. The Board will have sole authority to manage the business and affairs of Pacific Generation, subject to the governance rights of the Minority Investor(s) discussed in Part C.2, below. The Board will have the power to act through a meeting with a quorum present that is duly convened in

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8 Indemnification of Pacific Generation by PG&E for breaches of representations and warranties related to the generation business will be provided for in the Separation Agreement, as discussed in Chapter 2.

person or by telephone or videoconference, or through a written consent without the need for a meeting, in either case by the affirmative vote and approval of a majority of the total number of votes entitled to be voted by the Managers.

The LLC Agreement will provide that PG&E at all times will have the right to appoint a majority of the Board (each, a Manager). The President of Pacific Generation also will be a Manager, and each Minority Investor owning 10 percent or more of the Pacific Generation Interests will be entitled to appoint one Manager (or two Managers, in the case of a Minority Investor owning 40 percent or more of the Pacific Generation Interests). Consequently, the Board size could vary depending on the number of Minority Investors and their percentage ownership. For example, if two Minority Investors each acquire 24.9 percent of the Pacific Generation Interests, the Board will initially consist of seven Managers: four appointed by PG&E, the Pacific Generation President, and one appointed by each of the two Minority Investors. If four Minority Investors each acquire 12.475 percent of the Pacific Generation Interests, the Board will initially consist of 11 Managers: six appointed by PG&E, the Pacific Generation President, and one appointed by each of the four Minority Investors.

The Board chairperson will be appointed by PG&E from among the PG&E-appointed Managers and the Pacific Generation President.

PG&E will retain the power to control the Board, so long as it continues to own a majority of the Pacific Generation Interests. The Manager or Managers appointed by each member collectively will be entitled to a number of votes equal to the percentage of Pacific Generation Interests owned by the appointing member. For example, with PG&E holding 50.1 percent of the Pacific Generation Interests and assuming one Minority Investor owns 49.9 percent of the Pacific Generation Interests, the Managers appointed by PG&E and the Minority Investor would collectively have a vote of 50.1 percent and 49.9 percent, respectively. Subject to certain specified consent rights of the members of Pacific Generation (applicable at certain ownership thresholds), as described below, the affirmative vote of a majority of the total number of votes entitled to be voted by the Managers will be required for decisions of Pacific Generation.

Subject to the consultation right described in Part C.2.m below, the Board (by majority percentage vote) will appoint, replace, or remove any Officer, including the President, General Counsel, and Chief Financial Officer (CFO).

A member may at any time remove and replace its respective Manager(s), but no member may remove any other member's Manager(s). Each Minority Investor holding 5 percent or more of the Pacific Generation Interests will have the right to appoint one non-voting and non-participating observer to the Board.

As discussed in Chapter 11, the Board will have a Management Team reporting directly to the Board. The Board may form such Board committees as the Board may determine from time to time; provided that PG&E will have the right to appoint the majority of the members of such Board committee(s). Each Minority Investor holding 20 percent or more of the Pacific Generation Interests will be entitled to appoint one member to any Board committee.

If the Board requests that members make additional equity capital contributions, and all members make such contributions in proportion to their ownership percentage, there will be no change in the ownership percentage of the members. If a member declines to make its pro-rata contribution, then PG&E and the other members may elect to increase the amount of their respective capital contributions accordingly, or, if they do not, Pacific Generation may seek equity capital contributions from third parties. In either case, the member that fails to make its pro-rata contribution would have its Pacific Generation ownership percentage diluted. PG&E will also first present to the Board any opportunity within the scope of Pacific Generation's business made available to PG&E that is available to Pacific Generation and that both PG&E and Pacific Generation would be permitted to unilaterally pursue (Company Business Opportunity).

2. Minority Consent, Review, and Consultation Rights

Pursuant to the LLC Agreement, the Minority Investor(s) will have the benefit of a limited set of consent, review, and consultation rights with respect to certain Pacific Generation actions, in keeping with the custom and practice of minority sale transactions in the utility sector. These rights will be tailored to protect the integrity of the financial interest of the Minority Investor(s) in Pacific Generation. Such rights will not confer on the Minority

Investor(s) actual or potential managerial or operational control over Pacific Generation, nor create any potential for PG&E to lose such control, and will not interfere with Pacific Generation's ability to carry on operations as a regulated generation utility.

Attached as Attachment A is a form of the LLC Agreement that PG&E intends to provide to the potential Minority Investor(s), subject to the Commission's guidance. This agreement reflects Minority Investor governance rights that PG&E considers reasonable and customary, and that preserve PG&E's operational control over Pacific Generation. To the extent the terms of such governance rights are changed as a result of negotiations between PG&E and the Minority Investor(s), PG&E will identify any such changes in its post-signing AL filed with the Commission.

a. Fundamental Changes

Any Minority Investor with at least a 5 percent interest in Pacific Generation will have a consent right regarding whether Pacific Generation enters voluntary bankruptcy proceedings, and any Minority Investor with at least a 20 percent interest will have a consent right regarding any voluntary dissolution of Pacific Generation, as well as any initial public offering, merger, consolidation, or similar transaction involving Pacific Generation.

b. Amendments to Organizational Documents

Any Minority Investor with at least a 5 percent interest in Pacific Generation will have a consent right regarding amendments to the LLC Agreement and other organizational documents of Pacific Generation's material subsidiaries, other than ministerial amendments or amendments that would not have a material and disproportionate adverse impact on the Minority Investor.

c. Budget

The Board will approve the annual budget of Pacific Generation, meaning PG&E will generally have control over the approval of the budget, except that the consent of any Minority Investor with at least a 40 percent interest in Pacific Generation will be required if the budget represents more than 105 percent of the costs authorized, or reasonably

expected to be authorized, for rate recovery. If such Minority Investor votes against the increases to the budget, Pacific Generation may nevertheless operate under the new budget, subject to the Minority Investor's right to trigger a dispute resolution process for increases in excess of 105 percent of the costs authorized, or reasonably expected to be authorized, for rate recovery. If such Minority Investor invokes the dispute resolution process, any disputed amounts in excess of 105 percent of the costs authorized, or reasonably expected to be authorized, for rate recovery will be deemed approved if the excess over 105 percent is found to be in accordance with "good utility practice." Any such excess amounts found not to meet this standard will be charged back to PG&E.

In addition, a Minority Investor with at least a 10 percent interest in Pacific Generation will have a right to review the budget for each fiscal year within 30 days of the commencement of such fiscal year.

d. Capital Expenditures

Capital expenditures are expected to be addressed in the annual budget process described above. A capital expenditure that is consistent with the annual budget cannot be blocked by the Minority Investor(s). If a capital expenditure is not in the approved annual budget, then any Minority Investor with at least a 20 percent interest in Pacific Generation will have a consent right if the capital expenditure involves a total outlay greater than $50 million in a single transaction or greater than $150 million in the aggregate per year; provided that there will be no consent right regarding capital expenditures that Pacific Generation reasonably expects will be included in rate base.

The Minority Investor(s) will be expected, but not required, to contribute additional capital (pro rata in accordance with their respective equity ownership) to meet capital calls to fund capital expenditure projects, including for maintenance of existing facilities and larger projects such as expansions of generating capacity. If any member declines a capital call for capital expenditure that is approved by the Board, PG&E will have the right to contribute capital directly or accept

new investments from third parties, which in both cases will dilute the interest of any non-funding Pacific Generation member(s).

e. Indebtedness

Any Minority Investor with at least a 20 percent interest in Pacific Generation will have a consent right regarding the incurrence of indebtedness by Pacific Generation exceeding a specified ratio, to be established in relation to credit agency guidance; provided that there will be no such consent right as long as the incurrence of such indebtedness is consistent with the capital structure authorized by the Commission.

f. Issuance of New Classes of Equity

Any Minority Investor with at least a 20 percent interest in Pacific Generation will have a consent right regarding the creation or issuance of any new class, or modification to any existing class, of equity interests, units, or securities of Pacific Generation, unless required by applicable law or regulation. There will be no such consent right for issuance of the same class of equity owned by the Minority Investor(s).

g. Related Party Transactions

Any Minority Investor with at least a 20 percent interest in Pacific Generation will have a consent right regarding related party transactions, provided that there will be no such consent right regarding:

- Transactions entered into on terms that are no less favorable in the aggregate to Pacific Generation than terms reasonably obtainable from unrelated third parties, and involving expenditures less than $10 million individually or $30 million in the aggregate per year;
- Amendments or changes to the cost charging and allocation provisions under existing related party agreements made in the ordinary course, and in accordance with the Commission-approved cost assignment and allocation methodology;
- Any of the Intercompany Agreements between PG&E and Pacific Generation that are entered into at the time of closing or set forth on a schedule to the LLC Agreement; or
- Any intercompany agreement that is approved by a state or federal regulatory authority.

h. Distribution Policy

The LLC Agreement will include a distribution policy, discussed in Part D below. Any Minority Investor with at least a 20 percent interest in Pacific Generation will have a consent right regarding changes to Pacific Generation's distribution policy or the making of any distributions other than in accordance with the distribution policy.

i. Acquisitions and Joint Ventures

Any Minority Investor with at least a 20 percent interest in Pacific Generation will have a consent right regarding the acquisition or disposition of any equity, debt, or securities of or in any person that represents or would represent greater than 10 percent of rate base as estimated by Pacific Generation in good faith as of December 31 of the prior year; provided that there will be no such consent right regarding acquisitions of assets, or entities holding assets, that Pacific Generation reasonably expects will be included in rate base.

Any Minority Investor with at least a 20 percent interest in Pacific Generation will have a consent right regarding Pacific Generation's entry into or termination of any partnership or joint venture arrangement with any person if the partnership or joint venture would hold assets with a total value greater than 10 percent of rate base as estimated by Pacific Generation in good faith as of December 31 of the prior year; provided that there will be no such consent right regarding entry into joint ventures or partnerships that include assets, or entities holding assets, that Pacific Generation reasonably expects will be included in rate base.

j. Asset Sales and Purchases

Any Minority Investor with at least a 20 percent interest in Pacific Generation will have a consent right regarding: (1) any disposition of Pacific Generation's assets or any assets of any Pacific Generation subsidiary that represents greater than 10 percent of rate base as estimated by Pacific Generation in good faith as of December 31 of the prior year, provided that sales of natural gas-fired assets that Pacific Generation reasonably expects will be replaced with other assets in rate base within 5 years will not be counted against this 10 percent limitation;

and (2) any acquisition of assets at a price greater than 10 percent of rate base as estimated by Pacific Generation in good faith as of December 31 of the prior year, provided that there will be no such consent right regarding acquisitions of assets Pacific Generation reasonably expects will be included in rate base.

k. New Line of Business

Any Minority Investor with at least a 5 percent interest in Pacific Generation will have a consent right regarding approval of any material change to the Company Business (as defined in the LLC Agreement) of Pacific Generation or any action that is materially inconsistent with the Company Business. The LLC Agreement will provide that Pacific Generation's business is to own assets regulated by the Commission on the basis of cost, and which are capable of emitting electricity, but not including new projects located on land: (1) that PG&E owns or controls either as of the date of the LLC Agreement or as of the date PG&E elects to pursue a Company Business Opportunity, or (2) that is immediately adjacent to PG&E transmission or distribution facilities.

l. Corporate Opportunity

PG&E will first present to the Board any Company Business Opportunity. If Minority Investor(s) holding at least a 40 percent interest in Pacific Generation vote in favor of pursuing the Company Business Opportunity that is presented by PG&E to the Board and the Board votes not to pursue the opportunity, then PG&E will not be permitted to pursue it. In all other instances, PG&E will have the right to pursue the Company Business Opportunity without further involvement of Pacific Generation or any Minority Investor.

m. Consultation and Information Rights

Any Minority Investor with at least a 40 percent interest in Pacific Generation will have a right to consult on the appointment of Pacific Generation's President, CFO, and General Counsel.. Any Minority Investor with at least a 20 percent interest in Pacific Generation will have a right to consult on General Rate Case filings and applications for Commission approval of major capital additions.

All Minority Investors will have the right to inspect Pacific Generation's books and records and receive its quarterly and annual financial statements. Pacific Generation will have a code of conduct that includes elements typical or advisable for a regulated utility, which will include a provision to prevent the passage of confidential information by PG&E or a Minority Investor to its affiliates who are market participants.

n. Settlement of Litigation

Any Minority Investor with at least a 20 percent interest in Pacific Generation will have a consent right regarding the settlement of any third-party litigation if the liability exceeds 5 percent of rate base as estimated by Pacific Generation in good faith as of December 31 of the prior year.

D. Distribution Policy (*S. Rogers*)

Periodic cash distributions are an important component of the return on investment expected by the type of infrastructure investors who seek out minority ownership positions in utilities. Pacific Generation will therefore reasonably be expected to provide investors with distributions. Pacific Generation's periodic distributions will be sized based on earnings, in line with other utilities of similar size and credit quality. In keeping with the conditions established in connection with PG&E's reorganization under a holding company structure, Pacific Generation's distribution policy will be maintained as though Pacific Generation were a comparable standalone utility company.[9]

Pacific Generation's distribution policy will provide that Pacific Generation intends to declare a quarterly operating distribution based on a target range of Pacific Generation's earnings, subject to the Board's discretion with respect to the target range or to not declare an operating distribution for any quarter based on any factors the Board deems relevant, including those related to the availability of capital to fund Pacific Generation's operations or the ability of Pacific Generation to comply with legal and regulatory requirements. Pacific Generation's operating distributions target will be sized based on the utility's earnings, and will not be based on a fixed rate, a floating or adjustable rate tied to a specific market index, or a rate set by auction.

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9 See D.96-11-017 (*In Matter of Pacific Gas and Electric Co.*), 173 P.U.R. 4th 358.

Pacific Generation's distribution policy will further provide that Pacific Generation intends to declare a quarterly tax distribution in an aggregate amount generally equal to Pacific Generation's estimated positive taxable income for the year through the relevant quarter multiplied by the presumed state and federal corporate tax rate, minus all tax distributions previously made with respect to prior quarters of the relevant year. Tax distributions will be subject to all applicable regulatory and legal requirements. In determining such distributions, the Board may (but shall not be required to) account for the terms of Pacific Generation's debt financing agreements.

All distributions (operating and tax) will be made to members pro rata in proportion to their respective percentage interests in Pacific Generation. Subject to the minority governance rights described above (including rights with respect to amendments to organizational documents and amendments to the distribution policy), the Board may change the distribution policy at any time.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 5

ATTACHMENT A

FORM OF AMENDED AND RESTATED LLC AGREEMENT OF PACIFIC GENERATION

ATTACHMENT A

Draft as of September 28, 2022

FORM OF AMENDED AND RESTATED
LIMITED LIABILITY COMPANY OPERATING AGREEMENT

OF

PACIFIC GENERATION LLC

A Delaware Limited Liability Company

Dated as of [__], 202[__]

[DRAFT FOR DISCUSSION PURPOSES ONLY. CIRCULATION OF THIS DRAFT SHALL NOT GIVE RISE TO ANY DUTY TO NEGOTIATE OR CREATE OR IMPLY ANY OTHER LEGAL OBLIGATION. NO LEGAL OBLIGATION OF ANY KIND WILL ARISE UNLESS AND UNTIL A DEFINITIVE WRITTEN AGREEMENT IS SIGNED AND DELIVERED BY ALL PARTIES.]

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AMENDED AND RESTATED LIMITED LIABILITY COMPANY OPERATING AGREEMENT

OF

PACIFIC GENERATION LLC

This AMENDED AND RESTATED LIMITED LIABILITY COMPANY OPERATING AGREEMENT (this "Agreement") of Pacific Generation LLC, a Delaware limited liability company (the "Company"), dated as of [__], 202[__], is executed and entered into by and among Pacific Gas and Electric Company, a California corporation ("PG&E"), [New Holdco], a Delaware limited liability company and wholly owned subsidiary of PG&E ("[New Holdco]"), [Investor Entity], a [_____] ("[_____]"), and [Investor Entity], a [_____] ("[_____]," and together with [_____], the "Investors," and each, an "Investor").

RECITALS[1]

WHEREAS, the Company was originally formed pursuant to a Certificate of Formation filed with and accepted by the Secretary of State of the State of Delaware on September 26, 2022 (the "Certificate of Formation") in accordance with the provisions of the Delaware Limited Liability Company Act and any successor statute, as amended from time to time (the "Act"), and the execution of that certain Limited Liability Company Operating Agreement of the Company, dated as of September 26, 2022, as may have been amended from time to time prior to the Effective Time (the "Existing Operating Agreement");

WHEREAS, on [__], PG&E transferred one percent (1.0%) of the Common Units (as defined herein) to New Holdco and New Holdco was admitted as a Member of the Company;

WHEREAS, immediately prior to the date hereof, PG&E directly and indirectly (through New Holdco) owned one hundred percent (100%) of the issued and outstanding Common Units;

WHEREAS, prior to the date hereof, PG&E and the Company entered into that certain Separation Agreement, dated [__], 202[__], pursuant to which, on the Closing Date (as defined therein), PG&E contributed certain generation assets to the Company and the Company assumed certain related liabilities from PG&E, among other things (the "Separation Agreement");

WHEREAS, (i) PG&E, the Company and [Investor Entity] entered into that certain Minority Sale Agreement, dated as of [__], 202[__], pursuant to which, upon the Closing (as defined therein), PG&E sold Common Units to [Investor Entity] on the date hereof representing [__] percent ([__]%) of the outstanding Common Units and (ii) PG&E, the Company and [Investor Entity] entered into that certain Minority Sale Agreement, dated as of [__], 202[__], pursuant to which, upon the Closing (as defined therein), PG&E sold Common

[1] Note to Draft: Recitals to be updated, as appropriate, including to reflect appropriate number of Investors/Minority Sale Agreements.

Units to [Investor Entity] on the date hereof representing [__] percent ([__]%) of the outstanding Common Units (collectively, the "Minority Sale Agreements"); and

WHEREAS, the parties hereto desire to amend and restate the Existing Operating Agreement in its entirety to reflect the admission of the Investors as Members in the Company, and to amend and restate the terms and conditions of the governance and operation of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.1 Definitions. Capitalized terms used in this Agreement but not defined in the body hereof shall have the meanings ascribed to them in Exhibit A hereto.

Section 1.2 Interpretation.

(a) When a reference is made in this Agreement to an Article, Section, clause or Exhibit, such reference shall be to an Article, Section or clause of, or Exhibit to, this Agreement unless otherwise indicated, and the words "Agreement," "hereby," "herein," "hereof," "hereunder" and words of similar import refer to this Agreement as a whole (including any Exhibits) and not merely to the specific section, paragraph or clause in which such word appears. The table of contents and the Article and Section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and do not in any way affect the meaning or interpretation of this Agreement. The phrases "the date of this Agreement," "the date hereof" and terms of similar import, shall be deemed to refer to [__], 202[__]. References to any statute are to that statute, as amended from time to time, and to the rules and regulations promulgated thereunder. Unless otherwise expressly provided herein, references to any agreement or document shall be a reference to such agreement or document as amended, modified or supplemented and in effect from time to time and shall include reference to all exhibits, schedules and other documents or agreements attached thereto or incorporated therein, including waivers or consents. Unless otherwise expressly provided herein, references to any Person include the successors and permitted assigns of that Person. Whenever the content of this Agreement permits, the masculine gender shall include the feminine and neuter genders, and a reference to singular or plural shall be interchangeable with the other. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. As used in this Agreement: (i) the term "including" and words of similar import mean "including, without limitation" unless otherwise specified, (ii) "$" and "dollars" refer to the currency of the United States of America, (iii) "or" shall include both the conjunctive and disjunctive and (iv) "any" shall mean "one or more." Unless the defined term "Business Days" is used, references to "days" in this Agreement refer to calendar days.

(b) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

(c) No summary of this Agreement prepared by or on behalf of any party shall affect the meaning or interpretation of this Agreement.

ARTICLE II

ORGANIZATION

Section 2.1 Formation; Continuation; Amendment and Restatement. The Company was formed as a limited liability company pursuant to the Act by filing a Certificate of Formation for the Company in the Office of the Secretary of State of the State of Delaware in conformity with the Act on September 26, 2022. The Company is and shall continue to be a limited liability company organized under the Act. The Members ratify the organization and formation of the Company pursuant to the terms and conditions of this Agreement. This Agreement amends and restates in its entirety and supersedes the Existing Operating Agreement, effective as of the date hereof. The Company and, if required, each of the Members, or a Person duly authorized to act on behalf of any such Member or Members, shall execute or cause to be executed from time to time all other instruments, certificates, notices and documents and shall do or cause to be done all such acts and things (including keeping books and records and making publications or periodic filings) as may now or hereafter be required for the formation, continuation, valid existence and, when appropriate, termination of the Company as a limited liability company under the laws of the State of Delaware.

Section 2.2 Name. The name of the Company is "Pacific Generation LLC" and its business shall continue to be carried on in such name with such variations and changes as the Board deems necessary to comply with requirements of the jurisdictions in which the Company's operations are conducted. In the event that the Board changes the name of the Company, it shall notify each of the Members.

Section 2.3 Business Purpose. The Company is formed with the purpose to, either on its own behalf or through its Subsidiaries, (a) own assets regulated by the CPUC on the basis of cost, and which are capable of emitting electricity, but not including new projects located on land (i) that PG&E owns or controls either as of the date hereof or as of any date PG&E elects to pursue a Company Business Opportunity in respect of any such new project or (ii) that is immediately adjacent to PG&E transmission or distribution facilities (the "Company Business") and (b) exercise powers that are necessary, appropriate, advisable, convenient or incidental to or for the purposes of its business described in clause (a) of this Section 2.3.

Section 2.4 Registered Office and Agency. The address of the Company's registered office in the State of Delaware is 251 Little Falls Drive in the city of Wilmington, County of New Castle. The name of the registered agent at that address is Corporation Service

Company. The Board may elect to change the registered office or registered agent of the Company.

Section 2.5 Company Property; Membership Interests. No real or other property of any kind, tangible or intangible, of the Company or any of its Subsidiaries shall be deemed to be owned by any Member individually, but shall be owned by, and title shall be vested solely in, the Company or such applicable Subsidiary, as the case may be. Without limiting the foregoing, as between the Company and its Subsidiaries on the one hand and the Members on the other hand, all trade secrets, intellectual property and other business assets used or developed by the Company or its Subsidiaries are and shall be owned and controlled only by the Company or its Subsidiaries, as applicable, and not any Member.

Section 2.6 Term. The term of the Company commenced on the date of filing of the Certificate of Formation with the Secretary of State of the State of Delaware and shall continue in perpetuity unless the Company is sooner dissolved in accordance with the terms of this Agreement or the Act.

Section 2.7 Organizational and Fictitious Name Filings. The Company shall, from time to time, register the Company as a foreign limited liability company and file such fictitious or trade name statements or certificates in such jurisdictions and offices as the Board considers necessary or appropriate. The Company may do business under any fictitious business name deemed necessary or desirable. The Board shall take any and all other actions as may be reasonably necessary to perfect and maintain the status of the Company as a limited liability company or similar type of entity under the laws of any state or jurisdiction (other than Delaware) in which the Company engages in business, and continue the Company as a limited liability company to protect the limited liability of the Members as contemplated by the Act and to accomplish the purpose of the Company.

Section 2.8 Tax Characterization. The Company and each Member acknowledge that the Company is treated as a partnership for U.S. federal income tax purposes (and analogous state and local income Tax purposes), and hereby agree not to make any election, or take any other action, that would cause the Company to be treated in any manner other than a partnership or disregarded entity for U.S. federal income tax purposes (and analogous state and local income Tax purposes), including any action that would result in the Company being treated as a "publicly traded partnership" within the meaning of Section 7704 of the Code and the Treasury Regulations thereunder. Each Member further agrees not to elect for the Company to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code or any similar state statute.

Section 2.9 Corporate Separateness. To ensure corporate separateness between PG&E and the Company, the Company, together with its Managers and officers, shall take or refrain from taking, as the case may be, and cause the Subsidiaries of the Company to take or refrain from taking, as the case may be, the following actions (in each case, to the extent consistent with applicable Law):

(a) at all times hold itself out as a separate entity from PG&E and conduct business in its own name;

(b) correct any known material misunderstanding regarding its identity as an entity separate from PG&E;

(c) maintain one or more bank accounts separate from PG&E;

(d) not commingle the funds of the Company with funds of PG&E or its Other Related Parties; provided, however, that the Company has entered into a Billing Services Agreement to engage PG&E to bill and collect revenue for the Company in the capacity as servicer and agent to the Company and account for and segregate revenue of the Company no later than [__];

(e) maintain separate books, accounts and financial statements from PG&E reflecting its separate assets and liabilities;

(f) maintain an adequate capitalization at all times;

(g) observe appropriate organizational procedures and formalities;

(h) not enter into any guaranty of, or otherwise become intentionally liable for, or pledge or encumber its assets to secure, the liability, debts or obligations of PG&E, other than indemnities under the Minority Sale Agreements, the Separation Agreement and the Intercompany Agreements;

(i) pay or bear the cost of its own liabilities, expenses and losses only from its own assets, including compensating all advisors and other agents from its own funds for services provided to it by such advisors and other agents, other than indemnities under the Minority Sale Agreements, the Separation Agreement and the Intercompany Agreements;

(j) take the actions necessary to ensure the existence of the Company's stand-alone credit and debt ratings, as applicable;

(k) except as provided in Section 4.2(h), prevent the Company from lending money to or borrowing money from PG&E or any of its Other Related Parties;

(l) prevent the Company from being a borrower under a common credit facility with PG&E or its Other Related Parties;

(m) cause its Representatives to hold themselves out to third parties as being the Representatives of the Company or such Subsidiary, as the case may be, and refrain from holding themselves out as Representatives of PG&E or its Other Related Parties, except where PG&E or its Other Related Parties are acting as the Company's or such Subsidiary's agent or Representative pursuant to any of the Related Party Transactions permitted by the terms of this Agreement, in which event such Representatives shall hold themselves out as agents for the Company or such Subsidiary;

(n) pay or bear the cost of the preparation of its financial statements, and have such financial statements audited by an independent certified public accounting firm;

(o) ensure that each Manager appointed by an Investor Member having such right is independent from PG&E; and

(p) engage in Related Party Transactions solely on terms that are in accordance with the Minority Sale Agreements and the Separation Agreement and the consent rights of the Investor Member under this Agreement and/or as authorized by the CPUC.

ARTICLE III

MEMBERS; MEMBERSHIP INTERESTS

Section 3.1 Members. The names and addresses of the Members shall be set forth on the Register of Members.

Section 3.2 Register of Members.

(a) Ownership of Membership Interests may be represented by certificates, but ownership in the Company shall be exclusively evidenced and determined by entry in the Register of Members. A copy of the Register of Members setting forth the name, address, number of Units issued to such Member (including the date of issuance) and Company Percentage Interest of each Member as of the date hereof is attached as Schedule A hereto, and the Company shall amend the Register of Members from time to time as necessary to reflect accurately Additional Capital Contributions and Transfers undertaken in compliance with this Agreement.

(b) Each certificate, if issued, and the Register of Members shall:

(i) bear a legend on the face thereof in the following form:

"TRANSFER IS SUBJECT TO RESTRICTIVE LEGENDS ON BACK."; and

(ii) bear a legend on the reverse side thereof substantially in the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION THEREFROM IS AVAILABLE. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND OTHER TERMS AND CONDITIONS SET FORTH IN THE LIMITED LIABILITY COMPANY OPERATING AGREEMENT OF THE COMPANY, AS AMENDED FROM TIME TO TIME, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES."

(c) If any Units are registered under the Securities Act, then the Company, upon the written request of the holder thereof, shall issue to such holder a new

certificate evidencing such Units without the first sentence of the legend set forth above endorsed thereon. If any Units cease to be subject to any and all restrictions on Transfer set forth in this Agreement, the Company, upon the written request of the holder thereof, shall issue to such holder a new certificate evidencing such Units without the second sentence of the legend set forth above endorsed thereon.

(d) Without any further act, vote or approval of any Member or any other Person, the Company shall issue, and the Members shall cooperate to cause the Company to issue, a new certificate in place of any certificate previously issued (if any) to the holder of the Units represented by such certificate, as reflected on the Register of Members of the Company if such Member makes proof by affidavit, in form and substance that is customary and reasonable, that such previously issued certificate has been lost, stolen or destroyed, and provides an indemnity bond or other form of indemnity sufficient in the judgement of the Company to protect the Company against any loss that may be suffered by the Company.

Section 3.3 Membership Interests. The Company is authorized to issue, subject to the terms and conditions set forth herein, Classes of Membership Interests as follows: (a) the Common Units and (b) subject to Section 8.1(o), any other Class of Membership Interests. Each Unit shall constitute and shall remain a "security" within the meaning of, and governed by, (i) Article 8 of the Uniform Commercial Code (including Section 8-102(a)(15) thereof) as in effect from time to time in the States of Delaware and New York and (ii) the Uniform Commercial Code of any other applicable jurisdiction that now or hereafter substantially includes the 1994 revisions to Article 8 thereof as adopted by the American Law Institute and the National Conference of Commissioners on Uniform State Laws and approved by the American Bar Association on February 14, 1995 (and each Unit shall be treated as such a "security" for all such purposes, including perfection of the security interest therein under Articles 8 and 9 of each applicable Uniform Commercial Code).

Section 3.4 Liability to Third Parties. No Member shall be liable for the debts, obligations or liabilities of the Company solely by reason of being a Member.

Section 3.5 Cessation of Interest. A Member shall automatically cease to be a Member upon Transfer of all of such Member's Membership Interests in accordance with this Agreement and the removal of such Member's name from the Register of Members. Immediately upon any such Transfer, the Company shall cause such Member's name to be removed from the Register of Members. Upon the occurrence of any of the events specified in Section 18-304 of the Act in respect of any Member, such Member will remain a member of the Company notwithstanding the provisions of such section of the Act.

Section 3.6 Other Business of the Members; Corporate Opportunities; Company Business Opportunities.

(a) Subject to compliance with Section 3.6(c), the Members and their respective Related Parties may engage in, invest in, provide financing to, possess an interest in or otherwise be involved in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Company and its Subsidiaries, and neither the Company nor any Member shall have any rights by virtue of this Agreement in and

to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Company and its Subsidiaries, shall not be deemed wrongful or improper.

(b) Subject to compliance with Section 3.6(c), the Company and each Member expressly acknowledge and agree that (i) none of the Members nor any of their respective Related Parties or Representatives shall have any duty to communicate or present an investment or business opportunity to the Company in which the Company may, but for the provisions of this Section 3.6, have an interest or expectancy (a "Corporate Opportunity") and (ii) none of the Members nor any of their respective Related Parties or Representatives (even if such Person is also an officer or Manager of the Company) shall be deemed to have breached any fiduciary or other duty or obligation to the Company by reason of the fact that any such Person pursues or acquires a Corporate Opportunity for itself or directs, sells, assigns or transfers such Corporate Opportunity to another Person or does not communicate information regarding such Corporate Opportunity to the Company. Except as set forth in Section 3.6(c), the Company expressly renounces any interest in a Corporate Opportunity and any expectancy that a Corporate Opportunity will be offered to the Company.

(c) In the event that PG&E identifies any opportunity within the scope of the Company Business that (i) is made available to PG&E, (ii) is available to the Company and (iii) both PG&E and the Company would be permitted to unilaterally pursue (a "Company Business Opportunity"), then such Company Business Opportunity shall first be presented by PG&E to the Board for pursuit by the Company. If Managers representing Investors holding an aggregate Company Percentage Interest that is greater than or equal to forty percent (40%) vote in favor of pursuing the Company Business Opportunity and the Board votes not to pursue the Company Business Opportunity, then PG&E shall not be permitted to pursue the Company Business Opportunity. In all other instances, PG&E will have the right to pursue the Company Business Opportunity without further involvement of the Company or any Investor.

ARTICLE IV

CAPITAL CONTRIBUTIONS; ADDITIONAL MEMBERSHIP INTERESTS

Section 4.1 Issuance of Units.

(a) Common Units. At the Closing, PG&E sold [__] ([__]) Common Units to [Investor] and [__] ([__]) Common Units to [Investor]. Following the Closing, PG&E holds [__] percent ([__]%) of the Common Units, [New Holdco] holds [one] percent ([1.0]%) of the Common Units, [Investor] holds [__] percent ([__]%) of the Common Units and [Investor] holds [__] percent ([__]%) of the Common Units.

(b) Additional Capital Contributions. Except as specifically set forth in this Article IV, no Member shall be required to make any additional contribution of property or money to the Company.

(c) Issuance of Additional Units. The Company shall not issue any new Units, or any securities convertible into Units ("New Units"), to any Person; provided that

such restriction on the issuance of New Units shall not apply with respect to New Units issued or to be issued (i) in connection with any merger, consolidation, acquisition or other distribution or any similar transaction or any reorganization or recapitalization in each case when New Units are issued for or in respect of previously outstanding Units, (ii) to the selling Persons in connection with the acquisition by the Company of a Person; provided that such New Units or other Equity Interests are issued as consideration for such acquisition (including issuances to management of such Person in connection with such acquisition), (iii) in any public offering, (iv) as compensation to employees, officers, managers or consultants of the Company or any Subsidiary or (v) in connection with any incurrence of new Debt (or the refinancing of existing Debt) of the Company or any Subsidiary. For the avoidance of doubt, any New Units issued in accordance with this Article IV shall be subject to the terms and conditions of this Agreement to the same extent as any Units outstanding as of the date hereof.

(d) After the Effective Time, the Company shall issue no additional Membership Interests or admit any additional Members except as expressly set forth in this Agreement.

Section 4.2 Additional Capital Contributions.

(a) The Board may determine to request that the Members make additional capital contributions to the Company (each, an "Additional Capital Contribution") in accordance with the procedures set forth in this Section 4.2. For the avoidance of doubt, except as required by applicable Law, no Member shall have any obligation to make Additional Capital Contributions to the Company pursuant to this Section 4.2.

(b) If the Board determines to request that the Members make Additional Capital Contributions to the Company, the Company shall issue a written request (a "Capital Call") to each of the Members for the making of such Additional Capital Contributions. The Capital Call shall specify (i) the price per Unit represented by the equity valuation of the Company (the "Capital Call Equity Valuation") at which the Capital Call is being made, as reasonably determined by the Board (the "Imputed Price Per Unit"), (ii) the total amount of Additional Capital Contributions requested from all Members ("Total Capital Call Amount"), (iii) the amount of the Additional Capital Contribution requested from each Member (with respect to each Member, its "Proportionate Contribution Entitlement"), which with respect to each Member shall equal such Member's Company Percentage Interest *multiplied by* the Total Capital Call Amount and (iv) wire transfer instructions for the bank account for the Company to which such Member's Proportionate Contribution Entitlement must be funded.

(c) The total amount of Additional Capital Contributions requested pursuant to a Capital Call and each Member's Proportionate Contribution Entitlement shall be calculated so as to ensure that, if each Member made an Additional Capital Contribution in the full amount of its Proportionate Contribution Entitlement, there would be no change to any Member's Company Percentage Interest. Each Member acknowledges that by declining to make an Additional Capital Contribution pursuant to a Capital Call in the full amount of such Member's Proportionate Contribution Entitlement, its Company Percentage Interest will be

diluted in accordance with the terms of this Section 4.2, including Section 4.2(e) and Section 4.2(h).

(d) Within forty-five (45) days following receipt of a Capital Call (the "Contribution Option Period"), each Member shall send a written notice to the Company either (i) declining to make an Additional Capital Contribution pursuant to the Capital Call or (ii) agreeing to make part or all of the Member's Proportionate Contribution Entitlement and stating what portion of the Member's Proportionate Contribution Entitlement it shall make. Any Member that does not send such notice within the Contribution Option Period shall be deemed to have declined to make any Additional Capital Contribution pursuant to the Capital Call.

(e) Within five (5) Business Days following the expiration of the Contribution Option Period or, if earlier, following the date on which all Members have provided a written notice as described in Section 4.2(d), the Company shall give written notice (a "Contribution Notice") to each Member specifying the amount of each Member's Proportionate Contribution Entitlement and the amount of the Additional Capital Contribution that each Member agreed to make. In the event that any Member(s) have not elected to make an Additional Capital Contribution in the full amount of its Proportionate Contribution Entitlement (each such Member, a "Non-Contributing Member") and other Member(s) have elected to make an Additional Capital Contribution in the full amount of their respective Proportionate Contribution Entitlement (each such Member, a "Contributing Member"), then (i) each Contributing Member shall have the right to increase the amount of its respective Additional Capital Contribution to include all or any portion of the Proportionate Contribution Entitlement that the Non-Contributing Members declined to make (such amount, a "Residual Contribution Amount") in accordance with Section 4.2(f) and (ii) a number of Units shall be deemed transferred from the Non-Contributing Members (based on each Non-Contributing Member's Company Percentage Interest and the extent to which it satisfied its Proportionate Contribution Entitlement relative to the Company Percentage Interests and satisfaction of the Proportionate Contribution Entitlements of the other Non-Contributing Members) to the Contributing Members such that each Contributing Members' Company Percentage Interest as a result of such deemed transfer(s) is equal to the Company Percentage Interest that would have resulted from the issuance of New Units to such Contributing Member at a price equal to (A) the Imputed Price Per Unit in respect of its Proportionate Contribution Entitlement and (B) ninety percent (90%) of the Imputed Price Per Unit in respect of the portion of the Residual Contribution Amount contributed by such Contributing Member pursuant to this Section 4.2.

(f) Within ten (10) Business Days following receipt of a Contribution Notice showing a Residual Contribution Amount (the "Residual Exercise Period"), each Contributing Member shall send a written notice (a "Residual Exercise Notice") to the Company either (i) declining to increase the amount of its Additional Capital Contribution to include any portion of the Residual Contribution Amount or (ii) exercising its right to increase its Additional Capital Contribution and stating the portion of the Residual Contribution Amount by which it desires to increase its Additional Capital Contribution over its Proportionate Contribution Entitlement (such amount of increase, the "Additional Elected Portion"); provided that if the aggregate Additional Elected Portions for all Contributing Members set forth in all Residual Exercise Notices exceeds the aggregate Residual

Contribution Amount, then the Residual Contribution Amount shall be allocated (A) first, so that each Contributing Member shall be entitled to the lesser of (x) such Contributing Member's Additional Elected Portion and (y) such Contributing Member's pro rata share of the Residual Contribution Amount based on such Contributing Member's Company Percentage Interest relative to the Company Percentage Interests of the other Contributing Members that validly delivered Residual Exercise Notices (and, in the event of any subsequent allocations required pursuant to clause (B) below, have not yet had their Additional Elected Portion satisfied) and (B) second, if there remains any Residual Contribution Amount (if any) after the allocation in clause (A) such remaining amount shall be allocated among the Contributing Members who have not received their full Additional Elected Portion in accordance with the methodology in clause (A) *mutatis mutandis* in successive iterations until the full Residual Contribution Amount is allocated. If a Contributing Member does not send a Residual Exercise Notice within the Residual Exercise Period, it shall be deemed to have waived its right to increase the amount of its Additional Capital Contribution pursuant to Section 4.2(e).

(g) At the expiration of the Contribution Option Period or the Residual Exercise Period, as applicable, any Member electing to make an Additional Capital Contribution pursuant to Section 4.2(d) and Section 4.2(f) (an "Electing Member") shall make such Additional Capital Contribution within ten (10) Business Days following its receipt of a Contribution Notice or Residual Exercise Notice, as applicable, or within ten (10) Business Days following the receipt of any and all required regulatory approvals, whichever is later (such date, the "ACC Deadline"), and the Company shall cause the books and records of the Company, including the Register of Members, to be updated to reflect such Additional Capital Contribution and, if applicable, any change to the Company Percentage Interests of, or Units held by, the Members in connection therewith as promptly as practicable thereafter. In addition, the Company and any Electing Member shall take all such other actions as may be reasonably necessary to complete such Additional Capital Contribution, including entering into such additional agreements as may be necessary or appropriate.

(h) Notwithstanding anything to the contrary herein, with respect to any Capital Call in connection with an Emergency Situation, at the request of the Board and without complying with the procedures set forth in Section 4.2(d) through Section 4.2(g), any Member may in advance contribute part or all of its and any other Member's Proportionate Contribution Entitlement of the Additional Capital Contributions in respect of such Capital Call (collectively, the "Emergency Advance") and such Emergency Advance will be treated as a loan from such Member to the Company; provided that the Board must notify the Members in writing of the amount of such Emergency Advance at least five (5) Business Days prior to the contribution thereof. If a Member has contributed all or part of its or another Member's Proportionate Contribution Entitlement pursuant to this Section 4.2(h), upon contribution of the Proportionate Contribution Entitlements by each Member as an Additional Capital Contribution in accordance with the procedures of this Section 4.2, the Company shall pay directly to the Member making the Emergency Advance an amount equal to the Emergency Advance made by such Member (net of such Member's Proportionate Contribution Entitlement) *plus* an additional amount of interest on such Emergency Advance equal to the prime rate, as published by the Company's primary depository institution, *plus* [__] percent ([__]%) per annum from the date of the Emergency Advance to the date of repayment of such Emergency Advance; provided, further, that if the other Members do not elect to contribute to

the Company their Proportionate Contribution Entitlement with respect to such Capital Call, then the amount such Member has contributed (including both its and any other Members' portion thereof), including interest thereon as provided in this Section 4.2(h), will be designated as an Additional Capital Contribution and the Company shall cause the books and records of the Company, including the Register of Members, to be updated in accordance with Section 4.2(g) without any further obligation to any other Member.

Section 4.3 Third-Party Investors.

(a) In the event that, following the ACC Deadline, the Company has not received Additional Capital Contributions from the Members in the full amount of the Additional Capital Contributions requested pursuant to a Capital Call, the Board may authorize the Company to seek additional equity funds from any Person (such Person, a "Third-Party Investor") in an amount up to the difference between the total Additional Capital Contributions requested and the total Additional Capital Contributions received, and any such investment of additional equity funds shall be made at an equity valuation of the Company equal to not less than ninety percent (90%) of the Capital Call Equity Valuation.

(b) If the Board determines to seek additional equity funds from Third-Party Investors pursuant to Section 4.3(a) (any investment of such equity funds, a "New Third-Party Investment"), (i) the Company must enter into a definitive agreement with respect to such New Third-Party Investment within one hundred eighty (180) days following the ACC Deadline and (ii) such New Third-Party Investment must be consummated within the Regulatory Approval Period. If the New Third-Party Investment has not been consummated within the Regulatory Approval Period, the Company shall not thereafter consummate any New Third-Party Investment without the Company first complying with all of the provisions of Section 4.2. Upon the consummation of any New Third-Party Investment, (i) a number of Units shall be deemed transferred from the Non-Contributing Members (based on each Non-Contributing Member's Company Percentage Interest and the extent to which it satisfied its Proportionate Contribution Entitlement relative to the Company Percentage Interests and satisfaction of the Proportionate Contribution Entitlements of the other Non-Contributing Members) to the Third-Party Investors such that the Third-Party Investors' Company Percentage Interest as a result of such deemed transfer is equal to the Company Percentage Interest that would have resulted from the issuance of New Units to such Third-Party Investors at a price equal to the price per Unit represented by the equity valuation of the Company at which the New Third-Party Investment was made and (ii) the Company shall give written notice to the Members of such investment, which notice shall specify (A) the total number of Units deemed transferred from the Non-Contributing Members to the Third-Party Investors, (B) the equity valuation of the Company at which the New Third-Party Investment was made and (C) any other material terms of the New Third-Party Investment.

(c) In the event that one or more New Third-Party Investments occurs pursuant to this Article IV, the Members and the Company shall in good faith amend this Agreement to the extent reasonably necessary to reflect the admittance of such additional Members.

Section 4.4 Capital Accounts. The Company shall establish a capital account for each Member (a "Capital Account"), which Capital Account shall be maintained in accordance with the following provisions:

(a) Each Member's Capital Account shall be increased by: (i) the amount of money and the Carrying Value of any property contributed by such Member to the Company, (ii) Profits and items of income and gain allocated to such Member pursuant to Article VI, (iii) the amount of any Company liabilities assumed by such Member or that are secured by any property distributed to such Member by the Company and (iv) any other increases required by Treasury Regulations.

(b) Each Member's Capital Account shall be decreased by: (i) the amount of money and the Carrying Value of any property distributed to such Member by the Company, (ii) Losses and items of loss or deduction allocated to such Member pursuant to Article VI, (iii) the amount of any liabilities of such Member assumed by the Company or that are secured by any property contributed by such Member to the Company and (iv) any other decreases required by Treasury Regulations.

(c) In the event Units are Transferred (other than as an encumbrance or pledge) in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the Transferred Units.

(d) In determining the amount of any liability for purposes of Section 4.4(a) and Section 4.4(b) there shall be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and Treasury Regulations.

(e) The initial Capital Account balances of each Member as of the Effective Time are set forth on Schedule B.

(f) The provisions of this Section 4.4 and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Sections 1.704-1 and 1.704-2, and shall be interpreted and applied in a manner consistent with such Treasury Regulations. To the extent such provisions are inconsistent with such Treasury Regulations or are incomplete with respect thereto, the Capital Accounts of the Members shall be maintained in accordance with such Treasury Regulations.

ARTICLE V

DISTRIBUTIONS

Section 5.1 Distributions. Distributions shall only be made when, if, and as declared by the Board, and shall be non-cumulative. The Distribution Policy of the Company is set forth on Exhibit B. The Distribution Policy shall be maintained as though the Company were a comparable stand-alone utility company.

ARTICLE VI

PROFITS AND LOSS ALLOCATIONS

Section 6.1 Allocations. Section 6.1(a) sets forth the general rule for Profit or Loss allocations to the Members. Section 6.1(b) sets forth various special rules that modify or clarify the general rules of Section 6.1(a).

(a) General Allocations. Profits and Losses of the Company with respect to any Fiscal Year or portion thereof shall be allocated among the Members in proportion to their respective Company Percentage Interests.

(b) Special Allocations. The following special allocations shall be made in the following order:

(i) Company Minimum Gain Chargeback. Notwithstanding the other provisions of this Section 6.1, except as provided in Treasury Regulations Section 1.704-2(f), if there is a net decrease in Company Minimum Gain during any Company taxable period, each Member shall be allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in the manner and in the amounts provided in Treasury Regulations Sections 1.704-2(f)(6), 1.704-2(g)(2), 1.704-2(j)(2)(i) or any successor provisions. This Section 6.1(b)(i) is intended to comply with the minimum gain chargeback requirement in Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith. For purposes of this Section 6.1(b)(i), each Member's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(b).

(ii) Chargeback of Minimum Gain Attributable to Member Nonrecourse Debt. Notwithstanding the other provisions of this Section 6.1(b), except Section 6.1(b)(i), and as provided in Treasury Regulations Section 1.704-2(i)(4), if there is a net decrease in Minimum Gain Attributable to Member Nonrecourse Debt determined in accordance with Treasury Regulations Section 1.704-2(i)(5) at the beginning of a taxable period, any Member with a share of Minimum Gain Attributable to Member Nonrecourse Debt at the beginning of such taxable period shall be allocated items of Company income and gain for such period (and, if necessary, subsequent taxable periods) in the manner and amounts provided in Treasury Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(b)(ii), each Member's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1 with respect to such taxable period (other than an allocation pursuant to Section 6.1(b)(i)).

(iii) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of gross income (if any) shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to

the extent required by Treasury Regulations, the deficit balance, if any, in such Member's Adjusted Capital Account as quickly as possible; provided that an allocation pursuant to this Section 6.1(b)(iii) shall be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(b)(iii) were not in this Agreement.

(iv) Gross Income Allocation. In the event any Member has a deficit balance in its Adjusted Capital Account at the end of any taxable period, each such Member shall be specially allocated items of Company income and gain in the amount of such deficit as quickly as possible; provided that an allocation pursuant to this Section 6.1(b)(iv) shall be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account in excess of such amount after all other allocations provided for in this Article VI have been made as if Section 6.1(b)(iii) and this Section 6.1(b)(iv) were not in this Agreement.

(v) Nonrecourse Deductions. Any Nonrecourse Deductions for any taxable period shall be allocated to the Members according to their respective Company Percentage Interests.

(vi) Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any taxable period shall be allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i)(1).

(vii) Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) or Section 743(b) of the Code is required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of such Member's interest in the Company, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in accordance with (x) either their interests in the Company, in the event Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, (y) to the Member to whom such distribution was made in the event the first sentence of Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies, or (z) in accordance with how the corresponding item of "displaced" gain or loss would be allocated to the Members pursuant to Section 6.1(a) or 6.1(b) to the extent the second sentence of Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(c) Curative Allocations. The allocations set forth in Section 6.1(b)(i) through Section 6.1(b)(vii) and Section 6.1(d) (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. Notwithstanding any other provision of this Section 6.1, the Regulatory Allocations shall be taken into account in allocating items of income, gain, loss, deduction and credit among the Members such that, to

the extent possible, the net amount of allocations of such items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each Member if the Regulatory Allocations had not occurred.

(d) Loss Limitations. No allocation of items of loss or deduction pursuant to Section 6.1(a) shall be made to a Member if such allocation would cause or increase a deficit in the balance of a Member's Adjusted Capital Account. In the event some but not all of the Members would have a deficit in the balance of their Adjusted Capital Account as a consequence of an allocation of items of loss or deduction pursuant to Section 6.1(a), the limitation set forth in this Section 6.1(d) shall be applied on a Member-by-Member basis and items of loss or deduction not allocable to any Member as a result of such limitation shall be allocated to the other Members in the manner otherwise required pursuant to Section 6.1(a) to the extent such other Members have positive balances in their Adjusted Capital Accounts so as to allocate the maximum permissible items of loss and deduction to each Member under Treasury Regulation Section 1.704-1(b)(2)(ii)(d).

(e) Intra-Year Allocations. For purposes of determining the income or losses, or any other items allocable to any period, income, losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Partnership Representative using any permissible method under Section 706 of the Code and the Treasury Regulations thereunder.

(f) Change in Members' Membership Interests. If there is a change in any Member's share of the Company's Profits, Losses or other items during any year by reasons of a transfer of a Member's Membership Interest or portion thereof or otherwise, allocations among the Members shall be made in accordance with their interests in the Company from time to time during such year in accordance with any method and convention permitted under Treasury Regulations Section 1.706-4, as the Partnership Representative determines necessary or appropriate, which selection shall be set forth in a dated, written statement maintained with the Company's books and records prior to the due date, including extension, of any relevant tax return. The Members hereby agree that any such selection by the Partnership Representative is made by "agreement of the partners" within the meaning of Treasury Regulations Section 1.706-4.

Section 6.2 Income Tax Allocations. For income tax purposes, each item of income, gain, loss, and deduction shall be allocable in the same manner such items are allocated for book purposes pursuant to this Section 6.2. If any Company property is subject to Section 704(c) of the Code or is reflected in the Capital Accounts of the Members and on the books of the Company at a value that differs from the adjusted tax basis of such property, then income, gain, loss and deductions with respect to such property shall, in accordance with the requirements of Section 704(c) and Treasury Regulations Section 1.704-1(b)(4)(i), be shared among the Members in a manner that takes account of the variation between the adjusted tax basis and its value. The Partnership Representative is authorized to choose any reasonable method permitted by the Treasury Regulations under Section 704(c) of the Code.

ARTICLE VII

MANAGEMENT

Section 7.1 Management by Managers.

(a) The Company shall be managed by a Board of Managers (the "Board") in accordance with the Act and the provisions of this Agreement, and no Member, by virtue of having the status of a Member, shall have any management power over the business and affairs of the Company or any authority to enter into contracts on behalf of, or to otherwise bind, the Company, nor shall any Member, in its capacity as a Member, be entitled to vote on any matter other than as specifically required by the Act or as expressly set forth in this Agreement, in which case each Member shall be entitled to a number of votes equal to such Member's Company Percentage Interest at the time of such vote. The business and affairs of the Company shall be managed by the Managers designated in accordance with this Section 7.1 acting exclusively through the Board in accordance with the Act and this Agreement, except as expressly delegated to any other Person by the Board or this Agreement. No Manager, by virtue of such Manager's status as a Manager, shall (i) be permitted to take any action in the name of the Company without the prior approval of the Board or the Members as required by this Agreement, or (ii) have any authority to enter into contracts on behalf of, or to otherwise bind, the Company unless authorized by the Board. In addition to the powers that now or hereafter can be granted under the Act and all other powers granted under any other provision of the Act or this Agreement (and subject to the terms and conditions set forth herein), the Board shall have full power and authority, and is hereby authorized and empowered by the Members, on behalf and in the name of the Company, to (x) do all things on such terms as they may deem necessary or appropriate to conduct, or cause to be conducted, the business and affairs of the Company and (y) subject to the terms and conditions set forth in this Agreement, delegate any and all authority or responsibility granted to the Board pursuant to this Agreement to one or more other Persons, including to any agents, officers, employees or committees of the Board or the Company.

(b) The Board shall be comprised as follows:

(i) Each Member shall have the right to designate one (1) Manager to the Board so long as such Member and its Related Parties collectively hold Company Percentage Interests greater than or equal to ten percent (10%); provided, however, that so long as a Member and its Related Parties collectively hold Company Percentage Interests greater than or equal to forty percent (40%), such Member shall have the right to designate two (2) Managers to the Board (each Manager designated by an Investor Member, an "Investor Designee");

(ii) notwithstanding anything herein to the contrary, so long as PG&E and its Related Parties collectively hold Company Percentage Interests greater than fifty percent (50%), PG&E shall have the right to designate the majority of the Managers to the Board (each Manager designated by PG&E, a "PG&E Designee"); and

(iii) the President shall serve as a Manager.

In accordance with the foregoing, upon the Closing, the Board shall consist of [seven (7)] Managers: the President, [four (4)] PG&E Designees and [[two (2)] Investor Designees][one (1) Investor Designee designated by each Investor Member], and each of the Members shall take all actions as may be reasonably necessary to cause the Board to consist of such number of PG&E Designees and Investor Designees.[2] Upon written notice to the other Managers, a Manager appointed by any Member may send an alternative representative on its behalf to any meeting of the Board, which representative shall have full ability to vote on behalf of such Manager at such meeting.

(c) Notwithstanding anything herein to the contrary, if at any time the aggregate Company Percentage Interest of any Investor Member and its Related Parties decreases (i) to less than ten percent (10%), then such Investor Member shall cease to have any right to designate any Managers and (ii) to less than forty percent (40%) but not less than ten percent (10%), then such Investor Member shall cease to have the right to designate two (2) Managers and instead shall have the right to designate only one (1) Manager pursuant to this Section 7.1 and the total number of Managers constituting the entire Board shall be adjusted accordingly pursuant to Section 7.1(b) or as otherwise unanimously agreed by each Member who is entitled to designate one or more Managers pursuant to Section 7.1(b). Each of the Members shall take all actions as may be reasonably necessary to implement the foregoing changes as promptly as practicable, including voting to remove or causing the resignation of the appropriate Manager and voting to decrease the size of the Board.

(d) A Manager acting under this Agreement shall not be liable to the Company or to any other Manager or Member for his or her good faith reliance on the provisions of this Agreement.

(e) Managers, as such, may receive reimbursement for their reasonable and out-of-pocket expenses incurred in connection with their services as Managers, as determined by the Board.

Section 7.2 Removal. Each Member shall have the sole power to remove the Manager(s) designated by such Member at any time and from time to time in such Member's sole discretion.

Section 7.3 Vacancies. If at any time a vacancy is created on the Board by reason of the death, removal or resignation of any Manager (except for the removal or resignation of Managers pursuant to Section 7.1 in connection with a reduction of a Member's

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[2] Note to Draft: The number of initial Managers to be finalized based on the number of Investors at closing; provided that each Investor with at least a 10% interest in the Company will have at least one Manager on the Board and PG&E will designate the majority of Managers on the Board. Below are examples under this construct:

- If there are two investors that each hold 24.9%, the Board would have 7 Managers: 1 for each investor (2 total), 4 for PG&E and the President;
- If there is one investor that holds 49%, then the Board would have 7 Managers: 2 for the investor; 4 for PG&E and the President; and
- If there are three investors, one of which holds 29% and the two of which hold 10%, then the Board would have 9 Managers: 1 for each investor (3 total), 5 for PG&E and the President.

Company Percentage Interest, which vacancy, subject to Section 7.1(b)(i), shall be filled by a vote of the majority of the Members), the Member that designated such Manager shall, in its sole discretion, designate an individual to fill such vacancy as promptly as practicable.

Section 7.4 Board Observer. For so long as a Member, together with its Related Parties, holds an aggregate Company Percentage Interest that is greater than or equal to five percent (5%), such Member shall be entitled to appoint one (1) person to serve as an observer of the Board (a "Board Observer"), which Board Observer shall have the right to receive notice of, attend and observe all meetings of the Board and to receive all information provided to Managers; provided that the Company reserves the right to withhold any information and to exclude any such Board Observers from any meeting or any portion thereof if access to such information or attendance at such meeting would (a) adversely affect an attorney-client or other legal privilege of the Company or (b) result in a conflict of interest between the Board Observer appointed by a Member and a particular matter or transaction under consideration by the Board; provided, however, that the Member shall be notified of any intent to exclude the Board Observer in reliance on clause (b) above in advance of any meeting from which the Board Observer is to be excluded; provided, further, that, any Board Observer that is excluded shall only be excluded for such portion of the meeting during which such matter or transaction is being discussed. No Board Observer shall have any voting rights with respect to any matter brought before the Board or any fiduciary obligations to the Company or the Members, but each Board Observer shall be bound by the same confidentiality obligations as the Managers as set forth in Section 15.10. A Member may cause its appointed Board Observer to resign or appoint a replacement Board Observer from time to time by giving written notice to the Company. In the event that a Member's Company Percentage Interest decreases to less than five percent (5%), such Member's Board Observer shall be, without any further action of any Person, immediately removed as a Board Observer. For the avoidance of doubt, the sole purpose of this Section 7.4 is to provide observation rights (subject to the limitations and conditions set forth in this Section 7.4) to an individual Representative of the Member, and in no event will any Board Observer be construed to be a third-party beneficiary of this Agreement, an agent of the Company of any kind or for any purpose, or have any other claim against the Company or the Members in relation to any matter whatsoever.

Section 7.5 Chairperson. For so long as PG&E together with its Related Parties hold an aggregate Company Percentage Interest equal to or greater than fifty percent (50%), the chairperson of the Board (the "Chairperson") shall be selected by PG&E from among the PG&E Designees and the President.

Section 7.6 Directors' and Officers' Insurance. The Company shall maintain directors' and officers' insurance coverage for so long as at least one (1) PG&E Designee or Investor Designee is on the Board.

Section 7.7 Board Action. Except to the extent otherwise required by the Act, the Company shall operate pursuant to the following provisions with respect to Board action:

(a) Regular Meetings. Regular meetings of the Board for each calendar year shall be scheduled by the Managers either prior to, or as promptly as practicable after, the beginning of each such calendar year, but in any event shall require at least ten (10)

Business Days' notice either in writing, electronically via email or telephonically (if telephonically, confirmed promptly in writing by the Company).

(b) Special Meetings. Special meetings of the Board shall require at least two (2) Business Days' notice either in writing, electronically via email or telephonically (if telephonically, confirmed promptly in writing by the Company); provided that such notice period may be shortened or waived by (i) approval of the Board in an Emergency Situation or (ii) unanimous approval of the Board.

(c) Number of Votes on Board. With respect to each action taken at any meeting of the Board, each Manager shall be entitled to a number of votes equal to the Company Percentage Interest of the Member that designated such Manager at the time of such vote *divided by* the number of Managers designated by such Member that vote on such action. For the avoidance of doubt, the President shall not be entitled to a vote. The Chairperson will not have any other vote in addition to his or her vote as a Manager.

(d) Action by Majority Vote. Except as otherwise provided in this Agreement and subject to Section 8.1, action by the Board shall be taken by the affirmative vote of a majority of the total number of votes entitled to be voted by the Managers present at a duly convened meeting of the Board at which a quorum is present.

(e) Dissent or Abstention by a Manager. A Manager who is present at a meeting of the Board when action is taken shall be deemed to have assented to the action taken unless: (i) such Manager objects at the beginning of the meeting (or promptly upon their arrival) to holding such meeting or transacting business at such meeting, (ii) such Manager's vote against the action taken or abstention from the action taken is entered in the minutes of such meeting or (iii) such Manager delivers written notice of their dissent or abstention to the presiding officer of the meeting before the adjournment thereof. The right of dissent or abstention is not available to a Manager who votes in favor of the action taken.

(f) Quorum. A quorum for a Board meeting shall be a majority of the Managers then in office.

(g) Frequency of Board Meetings. Regular Board meetings will be held at least quarterly and special meetings of the Board shall be called by the Company upon the written request of at least two (2) Managers. At least four (4) regular meetings of the Board shall be held in each calendar year beginning in 202[4].

(h) Telephone and Video Conference. Members of the Board may participate in and act at any meeting of the Board by means of a telephone or video conference or other communications equipment by means of which all Persons participating in the meeting can simultaneously hear each other. Participation in such manner shall constitute attendance and presence in person at a meeting of the Person or Persons so participating.

(i) Action by Written Consent. Unless otherwise prohibited by Law, any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by the Managers

whose vote would be required for the Board to act at a Board meeting and the writing or writings are filed with the minutes of the proceedings of the Board.

Section 7.8 Committees.

(a) The Board, by resolution adopted by a majority vote of the Board, may create committees, with responsibilities of each such committee to be established by the Board in the committee charters or in resolutions. Each Member that, together with its Related Parties, holds an aggregate Company Percentage Interest that is greater than or equal to twenty percent (20%) shall be entitled to designate one (1) person to any committee created by the Board; provided, however, that for so long as PG&E and its Related Parties collectively hold Company Percentage Interests greater than fifty percent (50%), PG&E shall designate a majority of the members on any committee created by the Board. Each Manager designated to serve on any such committee shall serve until the next annual meeting of the Board or until such Manager's respective successor is designated, unless the resolution designating the respective committee is sooner amended or rescinded by the Board. The Board, by resolution adopted by a majority vote of the whole Board, may also designate additional Managers as alternate members of any committee to serve as members of such committee in the place and stead of any regular member or members thereof who may be unable to attend a meeting or otherwise unavailable to act as a member of such committee; provided that, PG&E shall maintain the ability to appoint a majority of the members of such committee. In the absence or disqualification of a member and all alternate members designated to serve in the place and stead of such member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another Manager to act at the meeting in the place and stead of such absent or disqualified member; provided that, PG&E Designees make up a majority of such committee.

(b) A committee may exercise the power and authority of the Board to the extent specified by the resolution designating such committee; provided, however, that no committee may take any action that is expressly required by the Act, the CPUC or this Agreement to be taken by the Board and not by a committee thereof. Each committee shall keep a record of its acts and proceedings, which shall form a part of the records of the Company in the custody of the Secretary, and all actions of each committee, shall be reported to the Board at the next meeting of the Board.

(c) Except to the extent inconsistent with the resolutions creating a committee, Section 7.7 shall apply to each committee and its members as well, *mutatis mutandis*.

Section 7.9 Officers.

(a) The officers of the Company may be elected or removed by the Board as the Board may deem appropriate. At the Closing, the officers of the Company shall be a President, a Chief Financial Officer, and a General Counsel. Any number of offices may be held by the same Person, except for the office of President, which shall be held by one Person. The President and his or her direct reports, if any, shall be responsible for the day-to-

day management of the Company. Management shall have the authority to take all actions on behalf of the Company not otherwise reserved to the Board or the Members pursuant to this Agreement or the Act.

(b) Subject to the consultation rights of each applicable Investor Member granted such right in Section 7.9(c), (i) the officers of the Company shall be elected by action of the Board and shall hold office until their successors are elected and qualified or until their earlier death, resignation or removal from office and (ii) any officer or agent of the Company may be removed, with or without cause, by the Board whenever in its judgment the best interests of the Company will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the Person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. Any vacancy in any office because of the death, resignation, removal, disqualification or otherwise, may be filled by the Board for the unexpired portion of the term.

(c) For so long as an Investor Member, together with its Related Parties, holds an aggregate Company Percentage Interest that is equal to or greater than forty percent (40%), such Investor Member shall have the right to consult on the appointment of the President, Chief Financial Officer, and General Counsel.

Section 7.10 Prohibited Payments; Prohibited Transactions.

(a) Each of the Members shall, and will ensure that its respective Representatives, comply fully with all applicable anti-corruption, anti-money laundering, anti-terrorism and economic sanction and anti-boycott laws, including international anti-corruption conventions such as the United Nations Convention Against Bribery, and the United States Foreign Corrupt Practices Act and UK Bribery Act, and in each case, any applicable implementing legislation.

(b) Each of the Members has not and will not, either directly or indirectly, make a Prohibited Payment or engage in a Prohibited Transaction with respect to its obligations under this Agreement and shall ensure that none of its respective Representatives makes, either directly or indirectly, a Prohibited Payment or engages in a Prohibited Transaction with respect to their respective obligations under this Agreement.

(c) Each of the Members agrees to notify the other Members upon gaining knowledge that a Prohibited Transaction or Prohibited Payment related to the obligations set forth in this Agreement may have occurred and to cooperate in good faith with each other to determine whether a Prohibited Transaction or Prohibited Payment has occurred.

Section 7.11 Transfers. Subject to and in compliance with the provisions of this Agreement, including Article XII, a Member shall have the right to assign or transfer any of its rights under this Agreement to the transferee that, directly or indirectly, acquires all of such Member's Units in the Company pursuant to a permitted Transfer (other than a Pledged Transfer) conducted in strict compliance with the provisions of this Agreement (including, for the avoidance of doubt, the right to appoint Managers, committee members or Board Observers should such transferee hold the applicable Company Percentage Interest as required hereunder

following the consummation of such Transfer); provided that in no event shall any such rights be assignable or transferable to a transferee in a Pledged Transfer.

Section 7.12 General Rate Case Filings. For so long as an Investor Member, together with its Related Parties, holds an aggregate Company Percentage Interest that is equal to or greater than twenty percent (20%), such Investor Member shall have the right to consult on general rate case filings and applications made by the Company or any of its Subsidiaries for approval by the CPUC of material capital additions.

ARTICLE VIII

CERTAIN INVESTOR PROTECTIONS

Section 8.1 Major Decisions. Notwithstanding anything to the contrary in this Agreement, as an Investor-protection mechanism (in its capacity as an investor in the Company) and not to provide any Investor with any right to direct the operation of the business of the Company or its Subsidiaries, the Company shall not, and shall not permit its Subsidiaries to, directly or indirectly (whether by merger, consolidation or otherwise), enter into or effectuate any of the following actions (each, except to the extent such action is required to be taken under applicable Law, a "Major Decision"), without (i) in the case of the items marked in their title "Investor 5% Matter," the affirmative prior written consent of each Investor 5% Member, (ii) in the case of the items marked in their title "Investor 20% Matter," the affirmative prior written consent of each Investor 20% Member and (iii) in the case of the items marked in their title "Investor 40% Matter," the affirmative prior written consent of each Investor 40% Member; provided that, with respect to any item that requires the consent of an Investor Member and is a Major Decision solely because it adversely affects an Investor Member in a manner different from another Person, only the consent of the adversely affected Investor Member shall be required for such item under this Section 8.1.

(a) Amendments to Organizational Documents (Investor 5% Matter). Any amendment or modification to this Agreement or to the Organizational Documents of a material Subsidiary of the Company, other than ministerial amendments or amendments that would not have a material and disproportionate adverse impact on such Investor Member;

(b) Bankruptcy (Investor 5% Matter). Any filing by the Company or any of its Subsidiaries of a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of its debts under Title 11 of the Code or any other federal or state insolvency law, or the filing of an answer consenting to or acquiescing in any such petition, or the making of any general assignment for the benefit of its creditors of all or substantially all of the assets of the Company and its Subsidiaries;

(c) Line of Business (Investor 5% Matter). Any material changes to the Company Business or the taking of any action that is materially inconsistent with the Company Business;

(d) Asset Sales (Investor 20% Matter). Excluding (i) sales of assets included on Schedule 8.1(d) hereto and (ii) sales, transfers or other dispositions between the

Company and any wholly owned Subsidiary of the Company (collectively, "Intercompany Transfers"), any sale, transfer or other disposition, whether in a single transaction or a series of related transactions, of assets of the Company or any of its Subsidiaries representing more than ten percent (10%) of the Company's rate base as estimated by the Company in good faith as of December 31 of the prior year; provided that sales, transfers or other dispositions of any Designated Assets will not be counted against the ten percent (10%) limitation in the first clause of this Section 8.1(d) if the Company reasonably expects to replace the amount of the reduction in the Company's rate base caused by such sale, transfer or other disposition with other asset(s) within five (5) years after such sale, transfer or other disposition;

(e) Asset Acquisitions (Investor 20% Matter). Any acquisition of assets in which the consideration paid by the Company or any of its Subsidiaries is more than ten percent (10%) of the Company's rate base as estimated by the Company in good faith as of December 31 of the prior year; provided that no consent of an Investor will be required for Intercompany Transfers or acquisitions of assets the Company reasonably expects will be included in the Company's rate base;

(f) Related Party Transactions (Investor 20% Matter). Entry into any new transaction, contract or agreement (and any amendments, restatements, modifications or changes to any existing transactions, contracts or agreements) between the Company or any of its material Subsidiaries, on the one hand, and any Member or any Related Party of a Member (other than the Company and its Subsidiaries), on the other hand (each, a "Related Party Transaction"), it being acknowledged and agreed that (x) all Related Party Transactions existing as of the date hereof (including any transactions contemplated therein or services provided thereunder), including the Intercompany Agreements (each, an "Existing Related Party Transaction") and (y) transactions, contracts and agreements set forth on Schedule 8.1(f), are deemed approved; provided that no consent of an Investor 20% Member will be required for the following:

(i) Transactions, contracts or agreements (and any amendments, restatements, modifications or changes thereto) entered into on terms that are no less favorable in the aggregate to the Company than reasonably would be obtainable from an unrelated third party and which involve expenditures of less than ten million dollars ($10,000,000) per contract, agreement, transaction or series of related transactions individually or less than thirty million dollars ($30,000,000) in the aggregate for any Fiscal Year for all such Related Party Transactions; provided, further, that transactions, contracts or agreements pursuant to and in accordance with the Existing Related Party Transactions will not be counted toward such thresholds;

(ii) Amendments to and changes to the cost charging and allocation provisions under Existing Related Party Transactions made in the ordinary course and in accordance with CPUC-approved cost assignment and allocation methodology; or

(iii) Any transaction, contract or agreement (and any amendment, restatement, modification or change thereto) that has been approved by a Governmental Authority;

(g) Mergers and Other Business Combinations (Investor 20% Matter). Any merger, reorganization, consolidation or other business combination involving the Company, on the one hand, and any other Person (other than the Company's Subsidiaries), on the other hand;

(h) Acquisition or Disposition in Share Capital of another Person (Investor 20% Matter). Any acquisition or disposition of any Equity Interests in, or notes, debentures or debt of, any Person with a value that represents or if acquired would represent more than ten percent (10%) of the Company's rate base as estimated by the Company in good faith as of December 31 of the prior year; provided that no consent of an Investor will be required for Intercompany Transfers or acquisitions of assets, or entities holding assets, the Company reasonably expects will be included in rate base;

(i) IPO (Investor 20% Matter). Effecting or making any material decisions relating to any proposed initial public offering of Equity Interests of the Company (or a successor);

(j) Joint Ventures (Investor 20% Matter). Entry into or termination of any partnership, joint venture arrangement or similar agreement with any Person (other than Subsidiaries) (each, a "Joint Venture") if the assets of such Joint Venture have or would have a value of more than ten percent (10%) of the Company's rate base as estimated by the Company in good faith as of December 31 of the prior year; provided that in calculating the value of such Joint Venture, assets that the Company reasonably expects will be included in rate base will be excluded;

(k) Capital Expenditures (Investor 20% Matter). Any capital expenditure by the Company and its Subsidiaries in respect of the development of businesses or assets that involves a total outlay of more than fifty million dollars ($50,000,000) in each transaction or more than one hundred and fifty million dollars ($150,000,000) in the aggregate on an annual basis, unless in the Annual Budget; provided that no consent of an Investor will be required for any capital expenditure the Company reasonably expects will be included in rate base;

(l) Indebtedness (Investor 20% Matter). Any incurrence of new Debt (or the refinancing of existing Debt) by the Company or its Subsidiaries if, after giving pro forma effect to such incurrence and the application of the proceeds therefrom, such Debt will exceed [____][3]; provided that no consent of an Investor will be required to the extent such Debt is consistent with the capital structure authorized by the CPUC for ratemaking purposes;

(m) Litigation (Investor 20% Matter). Settlement of any third-party litigation to which the Company or its Subsidiaries are a party where the amount of such settlement is more than five percent (5%) of rate base as estimated by the Company in good faith as of December 31 of the prior year;

[3] Note to Draft: Specified ratio to be established in relation to credit agency guidance.

(n) Distributions (Investor 20% Matter). Any change in the Distribution Policy or making any distributions other than in accordance with the Distribution Policy;

(o) Issuance of Equity Interests (Investor 20% Matter). Any (i) creation or issuance of any new Class of Membership Interests or (ii) modification to any existing Class of Membership Interests, unless, in each case, required by applicable Law;

(p) Dissolution (Investor 20% Matter). Any proposal to voluntarily dissolve or wind up the Company;

(q) Annual Budget (Investor 40% Matter). Subject to Section 9.3(d), approval of the Annual Budget if the Annual Budget is more than one hundred five percent (105%) of the costs authorized, or reasonably expected to be authorized, for rate recovery; and

(r) Adopting any resolution in furtherance of the foregoing actions or agreeing, committing or delegating authority to take any of the foregoing actions will be deemed to be an Investor 5% Matter, an Investor 20% Matter or an Investor 40% Matter, as applicable, based on the designation in the title of such action.

ARTICLE IX

BOOKS AND RECORDS; ANNUAL BUDGET; TAX MATTERS

Section 9.1 Maintenance of Books and Records; Access.

(a) The books and records (including Tax Returns and any supporting work papers and other documentation related thereto) of the Company shall be maintained at the offices and places of business of the Company. The Members shall have the right to, at reasonable times during normal business hours and upon reasonable notice, inspect the books and records (including Tax Returns and any supporting work papers and other documentation related thereto) of the Company and its Subsidiaries. Upon reasonable notice, the Company shall also provide each Member with access to such other information relating to the Company and its Subsidiaries or their respective operations as such Member may reasonably request from time to time.

(b) Notwithstanding anything herein to the contrary, the Company shall not be obligated by the terms of this Agreement to provide to the Members any record or information (i) relating to the negotiation and consummation of the transactions contemplated by this Agreement and the Minority Sale Agreements, including confidential communications with financial and other advisors and legal counsel representing the Company or its Related Parties, (ii) that is subject to an attorney-client or other legal privilege, (iii) relating to any Tax Return of or that includes PG&E or any of the Other Related Parties (or any supporting work papers or other documentation related thereto) or (iv) the provision of which would violate any applicable Law.

(c) Each Member shall reimburse the Company for all reasonable and documented out-of-pocket costs and expenses incurred by the Company in connection with such Member's inspection and information rights pursuant to this Section 9.1.

Section 9.2 Financial Reports.

(a) The Company shall deliver the following to each Member:

(i) within sixty (60) days after the end of each of the first three (3) quarterly accounting periods in each Fiscal Year, unaudited consolidated statements of earnings and cash flows of the Company and its Subsidiaries for such fiscal quarter and an unaudited consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal quarter; and

(ii) within one hundred twenty (120) days after the end of each Fiscal Year, audited consolidated statements of earnings and cash flows of the Company for such Fiscal Year and an audited consolidated balance sheet of the Company as of the end of such Fiscal Year.

Section 9.3 Annual Budget; Five-Year Business Plan.

(a) PG&E has prepared a business plan with respect to the Company for the period from [__], 202[__] through [__], 202[__], which business plan includes estimated Annual Budgets for each Fiscal Year in such period (as such business plan may be amended from time to time in accordance with this Agreement, the "Company Business Plan"). The Company Business Plan in effect as of the date hereof has been provided to each Investor Member.

(b) From time to time, the Company may recommend for Board approval amendments to the Company Business Plan. No later than the end of any Fiscal Year, the Company shall recommend for Board approval a final Annual Budget for the following Fiscal Year and an extension to the Company Business Plan to roll the plan forward for an additional Fiscal Year. In accordance with Section 7.7 and subject to Section 8.1(q), the Board may adopt any amendments to the Company Business Plan and approve the final Annual Budget and the rolling forward of the Company Business Plan.

(c) For so long as an Investor Member, together with its Related Parties, holds an aggregate Company Percentage Interest that is equal to or greater than ten percent (10%), the Company shall deliver within thirty (30) days before the commencement of each Fiscal Year the Annual Budget for such Fiscal Year to such Investor Member for its review and comment.

(d) If an Investor Member has the right to approve the Annual Budget pursuant to Section 8.1(q) and votes against the increases to the Annual Budget, the Company may nevertheless operate under the new Annual Budget, subject to the dispute resolution procedure in Section 15.11; provided that (i) if such Investor Member invokes the dispute resolution procedure in Section 15.11, any increases in excess of one hundred five percent (105%) of the costs authorized, or reasonably expected to be authorized, for rate recovery will

be deemed approved if it is found to be in accordance with "good utility practice" (any excess amounts found to not meet such standard shall be charged back to PG&E) and (ii) the Company or its Subsidiaries may incur amounts necessary for repairs due to breakdowns, casualty, or in response to an Emergency Situation or to comply with applicable Law.

Section 9.4 Code of Conduct. The Company shall establish and maintain a code of conduct that incorporates elements typical or advisable for a regulated utility, which elements shall include, among other things, provisions preventing a Member from disclosing confidential information to its Related Parties who are market participants.

Section 9.5 Tax Matters.

(a) Partnership Representative. PG&E is hereby designated the Company's "partnership representative," as that term is defined in Section 6223 of the Code (the "Partnership Representative"), with all of the rights, duties and powers provided for in Sections 6221 through 6241 of the Code (or any similar provision of state or local Law), subject to the provisions of this Section 9.5. When applicable, the Partnership Representative shall determine the "designated individual" for purposes of Treasury Regulations Section 301.6223-1(b)(3)(ii).

(b) Tax Elections and Reporting.[4]

(i) Generally. The Company shall make all such elections under the Code or Treasury Regulations (or applicable state or local Law) as the Partnership Representative may elect; provided that the Company (A) shall not make the election provided in Section 6221(b) to have subchapter C of chapter 63 of the Code not apply, and (B) for the taxable year that includes the Effective Time shall file an election pursuant to Section 754 of the Code (and applicable state or local Law).

(ii) Company Tax Returns. If determined by the Partnership Representative, a firm of certified public accountants selected by the Partnership Representative (and reasonably accepted by the Audit Committee) shall be retained to prepare or review the Company's U.S. federal and any applicable state income Tax Returns. Any such Tax Returns not prepared or reviewed by the firm of certified public accountants shall be prepared in a manner directed by the Partnership Representative. Each Member shall provide any information as may be reasonably needed by the Company for purposes of preparing Tax Returns. Any expenses incurred in connection with the preparation of Company Tax Returns shall be Company expenses.

(iii) Tax Information. The Company shall use commercially reasonable efforts to provide each Member within ninety (90) days of the end of each Fiscal Year with an estimate of the taxable income or loss to be reflected (A) on the relevant Schedules K-1 to IRS Form 1065 for such Fiscal Year, and (B) on each comparable state or local schedule that will be delivered to such Member for such Fiscal

[4] Note to Draft: Provisions related to preparation of tax returns subject to revision to ensure they align with any tax return preparation services addressed in the Intercompany Agreements.

Year. No later than the earlier of (1) July 31 of the year following the end of each Fiscal Year, and (2) the due date for the Company's U.S. federal income tax return for such Fiscal Year (determined with regard to extensions), the Company shall provide each Person who was a Member at any time during the Fiscal Year with an information letter containing such Member's Schedule K-1 or comparable information with respect to such Fiscal Year. In addition, the Company shall cause to be furnished to each Member any information reasonably requested by such Member that is reasonably required by such Member to prepare the quarterly estimated tax payment filings of such Member and its Related Parties in a timely manner.

(iv) Notice and Consultation. The Partnership Representative shall (or shall cause the Company to) (A) promptly deliver to each Member a copy of any notice, written communication, or report that it receives from the IRS (or other applicable Tax authority) on behalf of the Company to the extent such notice, written communication, or report indicates the commencement of a Tax Proceeding relating to income Taxes or proposes or may result in a material adjustment to any item reported on an income Tax Return of any Member and (B) keep the Members advised of significant developments with respect to Tax Proceedings of the Company relating to income Taxes.

(v) Imputed Underpayment Allocation. If the Company does not make the election provided for in Section 6226 of the Code (or any similar provision of state or local Law) with respect to any imputed underpayment determined with respect to the Company, then each current or former Member from the relevant "reviewed year" (as that term is used in Section 6226 of the Code (or similar applicable provision of state or local Law)) agrees to indemnify and hold harmless the Company from and against any liability with respect to such Member's share of any such imputed underpayment, together with all interest and penalties, paid or payable by the Company that is allocable to the Member or former Member as reasonably determined by the Partnership Representative. Each current or former Member shall provide the Partnership Representative with any information reasonably requested by the Partnership Representative that is necessary to make such determination.

(c) Cooperation. The Members agree to cooperate to timely provide information requested by the Partnership Representative as needed to carry out its duties and responsibilities. Each Member agrees to take such actions as may be necessary or desirable (as determined by the Partnership Representative in good faith) to (i) allow the Company to comply with the provisions of the Code (or any similar provisions of state or local Law) and (ii) otherwise allow the Company and its Members to address and respond to any matters arising under the Code.

(d) Withholding.

(i) The Company may withhold and pay over to the IRS (or any other relevant Tax authority) such amounts as it is required to withhold or pay over, pursuant to the Code or any other applicable Law, on account of a Member, including in respect of distributions made pursuant to the Distribution Policy or allocations made pursuant to Article VI. To the extent that any amounts are so withheld and paid over, such

amounts shall be treated as paid to the Person(s) in respect of which such withholding was made. To the extent that a Member claims to be entitled to a reduced rate of, or exemption from, a withholding Tax pursuant to an applicable income Tax treaty, or otherwise, the Member shall furnish the Company with such information and forms as such Member may be required to complete where necessary to comply with any and all Laws governing the obligations of withholding Tax agents. Each Member agrees that if any information or form provided pursuant to this Section 9.5(d)(i) expires or becomes obsolete or inaccurate in any respect, the Member shall update such form or information or promptly notify the Company in writing of its inability to do so.

(ii) Notwithstanding anything to the contrary in this Agreement, at the Closing and from time to time as reasonably requested by the Company, each Investor shall provide to the Company a properly completed IRS Form W-9 or W-8BEN-E (or other applicable form) sufficient to establish such Investor's U.S. federal Tax status for purposes of Chapter 3 and Chapter 4 of the Code.

(iii) Each Member represents and warrants that any such information and forms furnished by such Member shall be true and accurate and agrees to indemnify the Company and each of the other Members from any and all damages, costs and expenses resulting from the filing of inaccurate or incomplete information or forms relating to such withholding Taxes.

(e) Expenses. All expenses incurred by the Partnership Representative in connection with its duties under this Agreement and the Code shall be expenses of the Company, and the Company shall reimburse and indemnify the Partnership Representative for all such expenses and costs. Nothing herein shall be construed to restrict the Partnership Representative from engaging accountants, attorneys, tax advisors, experts, or other outside advisors to assist the Partnership Representative in discharging its duties hereunder. The Partnership Representative shall not be liable to the Company, any Member, or any Related Party thereof for any costs or losses, any diminution in value, or any liability whatsoever arising as a result of its duties pursuant to this Agreement, absent bad faith, fraud, gross negligence, or willful misconduct on the part of the Partnership Representative.

(f) Survival. Notwithstanding anything herein to the contrary, the provisions of this Section 9.5 shall survive the termination of this Agreement.

Section 9.6 Fiscal Year. The fiscal year of the Company (the "Fiscal Year") for financial statements and U.S. federal income tax purposes shall be the calendar year unless otherwise determined by the Board.

ARTICLE X

DISSOLUTION

Section 10.1 Dissolution Events. The Company shall dissolve and its affairs shall be wound up on the first to occur of the following (each, a "Dissolution Event"):

(a) subject to Section 8.1, a majority vote of the Board to dissolve the Company in accordance with the Act; or

(b) entry of a decree of judicial dissolution of the Company under the Act.

Section 10.2 Distributions on Dissolution.

(a) The Members hereby appoint PG&E to act as the liquidator (the "Liquidator") upon the occurrence of a Dissolution Event, and in such capacity, PG&E shall constitute a "liquidating trustee" as defined in the Act. Upon the occurrence of a Dissolution Event, the business of the Company shall be continued to the extent necessary to allow an orderly winding up of its affairs. The Liquidator will (i) prepare or cause to be prepared a statement setting forth the assets and liabilities of the Company as of the date of dissolution and shall provide a copy of such statement to all of the Members and (ii) proceed diligently and in good faith, and in an orderly, businesslike and commercially reasonable manner, to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The Liquidator may sell, and will use commercially reasonable efforts to obtain the best possible price for, any or all Company property, including to the Members. In no event, without the approval of the Members, will a sale to a Member be for an amount that is less than the price at which the asset would change hands between a willing buyer and a willing seller that are not Related Parties, neither being under any compulsion to buy or to sell, and both having knowledge of the relevant facts and taking into account the full useful life of the asset, as determined by the Board.

(b) Upon the winding up of the Company, the Company's assets shall be distributed:

(i) first, to the satisfaction of the debts, liabilities and obligations of the Company (including any such obligations owing to any Member) and the expenses of liquidation or distribution (whether by payment or reasonable provision for payment and discharge thereof, including by the establishment of a cash escrow fund for contingent, conditional or unmatured liabilities in such amount and for such term as the Liquidator may reasonably determine in accordance with the Act), other than liabilities to Members or former Members for distributions; and

(ii) second, to the Members in accordance with the provisions of Section 10.2(e).

(c) Upon winding up of the Company, all assets of the Company will be treated as if sold, and after any minimum gain chargeback and other Regulatory Allocations required pursuant to Article VI, any gain or loss treated as realized on those assets will be allocated first to the Member with deficits in their Capital Accounts (in the ratio of the deficits, if more than one Member's Capital Account is in deficit) in order to eliminate the deficits.

(d) Any remaining items of gain or loss for the Fiscal Year during which the Company is wound up under this Section 10.2 will be allocated among the Members in a manner consistent with Section 6.1(a).

(e) After the allocations in clauses (c) and (d) of this Section 10.2 have been made, then cash and property will be distributed pro rata to the Members in proportion to the positive balances in their respective Capital Accounts determined after allocating all items for all periods prior to and including the date of distribution.

(f) All distributions to Members required under Section 10.2(e) in connection with a liquidation (as defined in Treasury Regulations Section 1.704-1(b)(2)(ii)(g)) shall be made to them by the end of the taxable year in which the liquidation occurs or, if later, within ninety (90) days after the date of such liquidation in accordance with Treasury Regulations Section 1.704-1(b)(2)(ii)(b)(2).

(g) The distribution of cash and property to a Member in accordance with the provisions of this Section 10.2 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member on its Membership Interests in the Company of all the Company's property and constitutes a compromise to which all Members have consented within the meaning of Section 18-502(b) of the Act. If the assets of the Company remaining after the payment or discharge of the debts and liabilities of the Company are insufficient to return Capital Contributions of each Member, such Member shall have no recourse against the Company or any other Member.

Section 10.3 No Withdrawal by Members. Except (i) as expressly provided in this Agreement or (ii) following and in connection with a Transfer by a Member of all of its Units in compliance with this Agreement, a Member may not withdraw from the Company prior to its dissolution and winding up. No Membership Interest is redeemable or repurchasable by the Company at the option of a Member. Except as expressly provided in this Agreement, no event affecting a Member (including death, bankruptcy or insolvency) shall affect its obligations under this Agreement or affect the Company.

Section 10.4 Deficit Capital Accounts. If any Member has a deficit balance in its Capital Account (after giving effect to all contributions, distributions, and allocations for all Fiscal Years, including any Fiscal Year during which a winding up occurs), such Member shall have no obligation to make any contribution to the capital of the Company with respect to such deficit, and such deficit shall not be considered a debt owed to the Company or to any other Person for any purpose whatsoever.

ARTICLE XI

INDEMNIFICATION

Section 11.1 Non-Liability of Members. The Members of the Company are not personally liable for the acts or debts of the Company, nor is private property of the Members subject to the payment of Company debts.

Section 11.2 Indemnification of Managers, Officers and Other Eligible Persons.

(a) To the extent not inconsistent with applicable Law, every Eligible Person shall be indemnified by the Company against all Liability and reasonable Expense that may be incurred by him or her in connection with or resulting from any Claim, (i) if such

Eligible Person is Wholly Successful with respect to the Claim or (ii) if not Wholly Successful, then if such Eligible Person is determined, as provided in either Section 11.2(f) or Section 11.2(g), to have acted in good faith, in what he or she reasonably believed to be the best interests of the Company or at least not opposed to its best interests and, in addition, with respect to any criminal Claim is determined to have had reasonable cause to believe that his or her conduct was lawful or had no reasonable cause to believe that his or her conduct was unlawful. The termination of any Claim, by judgment, order, settlement (whether with or without court approval) or conviction or upon a plea of guilty or of nolo contendere, or its equivalent, shall not create a presumption that an Eligible Person did not meet the standards of conduct set forth in clause (ii) of this Section 11.2(a). The actions of an Eligible Person with respect to an employee benefit plan subject to ERISA shall be deemed to have been taken in what the Eligible Person reasonably believed to be the best interests of the Company or at least not opposed to its best interests if the Eligible Person reasonably believed he or she was acting in conformity with the requirements of such Act or he or she reasonably believed his or her actions to be in the interests of the participants in or beneficiaries of the plan.

(b) The term "Claim" as used in this Section 11.2 shall include every pending, threatened or completed claim, action, suit or proceeding and all appeals thereof (whether brought by or in the right of the Company or any other Person or otherwise), civil, criminal, administrative or investigative, formal or informal, in which an Eligible Person may become involved, as a party or otherwise:

(i) by reason of his or her being or having been an Eligible Person; or

(ii) by reason of any action taken or not taken by him or her in his or her capacity as an Eligible Person, whether or not he or she continued in such capacity at the time such Liability or Expense shall have been incurred.

(c) The term "Eligible Person" as used in this Section 11.2 shall mean every Person (and the estate, heirs and personal representatives of such Person) who is or was a Manager or officer of the Company or is or was serving at the request of the Company as a director, manager, officer, employee, agent or fiduciary of another foreign or domestic limited liability company, corporation, partnership, joint venture, trust, employee benefit plan or other organization or entity, whether for profit or not. An Eligible Person shall also be considered to have been serving an employee benefit plan at the request of the Company if his or her duties to the Company also imposed duties on, or otherwise involved services by, him or her to the plan or to participants in or beneficiaries of the plan.

(d) The terms "Liability" and "Expense" as used in this Section 11.2 shall include, but shall not be limited to, counsel fees and disbursements and amounts of judgments, fines or penalties against (including excise taxes assessed with respect to an employee benefit plan), and amounts paid in settlement by or on behalf of, an Eligible Person.

(e) The term "Wholly Successful" as used in this Section 11.2 shall mean (i) termination of any Claim against the Eligible Person in question without any finding of liability or guilt against such Eligible Person, (ii) approval by a court or agency, with

knowledge of the indemnity herein provided, of a settlement of any Claim or (iii) the expiration of a reasonable period of time after the threatened making of any Claim without commencement of an action, suit or proceeding and without any payment or promise made to induce a settlement.

(f) Every Eligible Person claiming indemnification hereunder (other than one who has been Wholly Successful with respect to any Claim) shall be entitled to indemnification (i) if special independent legal counsel, which may be regular counsel of the Company or other disinterested person or persons, in either case selected by the Board (such counsel or person or persons being hereinafter called the "Referee"), shall deliver to the Company a written finding that such Eligible Person has met the standards of conduct set forth in Section 11.2(a)(ii) and (ii) if the Board, acting upon such written finding, so determines. The Board shall, if an Eligible Person is found to be entitled to indemnification pursuant to the preceding sentence, also determine the reasonableness of the Eligible Person's Expenses. The Eligible Person claiming indemnification shall, if requested, appear before the Referee, answer questions that the Referee deems relevant and shall be given ample opportunity to present to the Referee evidence upon which he or she relies for indemnification. The Company shall, at the request of the Referee, make available facts, opinions or other evidence in any way relevant to the Referee's finding that are within the possession or control of the Company.

(g) If an Eligible Person claiming indemnification pursuant to Section 11.2(f) is found not to be entitled thereto, or if the Board fails to select a Referee under Section 11.2(f) within a reasonable amount of time following a written request of an Eligible Person for the selection of a Referee, or if the Referee or the Board fails to make a determination under Section 11.2(f) within a reasonable amount of time following the selection of a Referee, the Eligible Person may apply for indemnification with respect to a Claim to a court of competent jurisdiction, including a court in which the Claim is pending against the Eligible Person. On receipt of an application, the court, after giving notice to the Company and giving the Company ample opportunity to present to the court any information or evidence relating to the claim for indemnification that the Company deems appropriate, may order indemnification if it determines that the Eligible Person is entitled to indemnification with respect to the Claim because such Eligible Person met the standards of conduct set forth in Section 11.2(a)(ii). If the court determines that the Eligible Person is entitled to indemnification, the court shall also determine the reasonableness of the Eligible Person's Expenses.

(h) The rights of indemnification provided in this Section 11.2 shall be in addition to any rights to which any Eligible Person may otherwise be entitled. Irrespective of the provisions of this Section 11.2, the Board may, at any time and from time to time, (i) approve indemnification of any Eligible Person to the full extent permitted by the provisions of applicable Law at the time in effect, whether on account of past or future transactions and (ii) authorize the Company to purchase and maintain insurance on behalf of any Eligible Person against any Liability asserted against him or her or any Liability or Expense incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Company would have the power to indemnify him against such Liability or Expense.

(i) Expenses incurred by an Eligible Person with respect to any Claim may be advanced by the Company (by action of the Board) prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the Eligible Person to repay such amount if he or she is determined not to be entitled to indemnification.

(j) The provisions of this Section 11.2 shall be deemed to be a contract between the Company and each Eligible Person, and an Eligible Person's rights hereunder shall not be diminished or otherwise adversely affected by any repeal, amendment or modification of this Section 11.2 that occurs subsequent to such Person becoming an Eligible Person.

(k) The provisions of this Section 11.2 shall be applicable to Claims made or commenced after the date hereof, whether arising from acts or omissions to act occurring before or after the date hereof.

(l) The Company acknowledges that the Managers indemnified under this Article XI may have certain rights to indemnification, advancement of expenses and/or insurance provided by one or more of the Members and certain of their Related Parties, and the Company hereby agrees that it is the indemnitor of first resort (i.e., its obligations to any such Manager in his or her capacity as such are primary and any obligation of the Members or their Related Parties (other than the Company and its Subsidiaries) to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Manager in his or her capacity as such are secondary).

Section 11.3 Reliance. Each Manager and officer (if any) shall be fully protected in relying in good faith (a) upon the records of the Company and the Subsidiaries and upon such information, opinions, reports or statements presented to such Manager or officer by any service provider to the Company as to matters that the Manager or officer reasonably believes are within such Person's professional or expert competence or (b) in respect of any specific matter or circumstance requiring interpretation, application or enforcement of agreements to which the Company or any Subsidiary is a party, such Manager or officer may rely conclusively on the advice of legal counsel and/or qualified industry consultants engaged to advise the Manager or officer or the Company with respect to such matter or circumstance.

ARTICLE XII

TRANSFERS

Section 12.1 General Restrictions.

(a) Each Member agrees that it shall not, and shall not permit, the Transfer of its Units, directly or indirectly, except in compliance with, and to the extent permitted by, this Agreement. For the avoidance of doubt, an "indirect" Transfer of Units shall include any transaction or series of related transactions pursuant to which any Person becomes the Beneficial Owner of any Units that were not Beneficially Owned by such Person immediately prior to the consummation of such transaction or transactions. Any attempted Transfer other than in strict accordance with this Agreement shall be null and void and of no

force or effect whatsoever, and the purported transferee shall have no rights as a Member or otherwise in or to the Units. The Company shall not register the Transfer of any Units made in violation of the provisions of this Agreement.

(b) Each Member shall not Transfer Units unless it shall have represented to the other Members, and such other Members, within seven (7) Business Days following such representation, shall not have in good faith asserted a reasonable basis for disputing the representation, that neither such Transfer by such transferor, the acquisition by the transferee nor the holding by the transferee of the Units will result in a non-exempt prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. Any Units that are the subject of a Transfer in accordance with the preceding sentence shall not be subject to any further Transfer unless such Transfer (regardless of the number of times the Units are the subject of a Transfer) would satisfy the preceding sentence as if the Person proposing to Transfer them were the original transferring Member.

(c) [Section 12.3, Section 12.4, Section 12.6 and Section 12.8 shall not apply to any Transfer by PG&E to a Third Party if, after the Transfer is complete, the PG&E Holders will have an aggregate Company Percentage Interest equal to or greater than fifty and one-tenth percent (50.1%), so long as (i) any required regulatory approvals or other third-party consents or approvals are obtained prior to such Transfer and (ii) such Third Party executes a counterpart to this Agreement and agrees to be bound by all of its terms to the same extent as the Investor Members.][5]

Section 12.2 Transfers to Related Parties. Section 12.3, Section 12.4, Section 12.5 and Section 12.6 shall not apply to any Transfer by any Member at any time of all or any portion of its Units to any of such Member's wholly owned Related Parties; provided that (a) either (i) such Transfer would not result in a Member with lesser creditworthiness than the then-current Member (taking into account any guarantees or other credit support of the transferring Member and its proposed transferee) and the transferring Member provides written notice to the other Members of the Transfer at least ten (10) Business Days prior to such Transfer or (ii) the other Members provide prior written consent to the Transfer, which consent shall not be unreasonably withheld, conditioned or delayed, (b) any required regulatory approvals or other third-party consents or approvals are obtained prior to such Transfer and (c) such Related Party executes a counterpart to this Agreement and agrees to be bound by all of its terms to the same extent as the transferring Member. Any Related Party that receives Units shall Transfer such Units back to the transferring Member (or a wholly owned Related Party thereof with creditworthiness equivalent to or greater than that of the then-current transferring Member) if at any time such Related Party is no longer a wholly owned Related Party of such Member.

Section 12.3 Lockup Period. Except for Transfers permitted by [Section 12.1(c),] Section 12.2 or Section 12.10, notwithstanding anything contained herein to the contrary (other than the last sentence of Section 12.7), a Member may not Transfer all or any portion of its Units prior to the third (3rd) anniversary of the date hereof (the "Lockup Period").

[5] Note to Draft: This provision will be removed if 49.9% of the Company's units are held by Investor Members as of its execution date.

Section 12.4 Right of First Offer.

(a) Following the expiration of the Lockup Period, if any Member (the "Selling Member") desires to Transfer all or any portion of its Units (other than a Transfer by PG&E of fifty percent (50%) or more of the Units) to any Person other than a Member or a wholly owned Related Party of a Member in accordance with Section 12.2 (a "Third-Party Purchaser"), the Selling Member shall first deliver to the Company and each other Member (each, a "Non-Selling Member") written notice (a "ROFO Notice") setting forth its intent to make such Transfer and the number of Units proposed to be Transferred (the "Offered Units"). Each Non-Selling Member shall have the right to make a binding offer to purchase all, but not less than all, of the Offered Units (or its pro rata portion of all of the Offered Units, it being understood that the Non-Selling Members may submit a joint offer to purchase all, but not less than all of the Offered Units), by written notice (an "Offer Notice") delivered by such Non-Selling Member(s) to the Selling Member within thirty (30) days following its receipt of a ROFO Notice (the "Offer Period"), which Offer Notice shall specify the purchase price and other material terms and conditions proposed by the Non-Selling Member(s).

(b) The Selling Member shall notify each Non-Selling Member of its acceptance (an "Acceptance Notice") or rejection (a "Rejection Notice") of such Non-Selling Member's offer within thirty (30) days following its receipt of an Offer Notice (the "Acceptance Period"). If the Selling Member does not send an Acceptance Notice or a Rejection Notice within the Acceptance Period, the offer proposed by such Non-Selling Member(s) shall be deemed rejected by the Selling Member.

(c) If the Selling Member accepts the price and terms set forth in the Offer Notice delivered by a Non-Selling Member or Non-Selling Members within the Acceptance Period (or in the event that there is more than one Offer Notice from multiple Non-Selling Members delivered to the Selling Member, the Selling Member accepts the offer in the Offer Notice that it considers the most favorable (the "Superior Offer") and within five (5) Business Days of receipt of notice of the Superior Offer, the Non-Selling Member(s) agree(s) in writing to the same terms and price as the Superior Offer), then such Non-Selling Member(s) shall be required to enter into a definitive agreement to purchase all such Offered Units covered by such Offer Notice (or such Offer Notice with respect to a Superior Offer, as applicable) within ten (10) Business Days following its receipt of the Acceptance Notice, with such purchase to be consummated within the Regulatory Approval Period. If there are multiple Non-Selling Members that agree to purchase the Offered Units, each Non-Selling Member shall be entitled to its pro rata share of the Offered Units based on such Non-Selling Member's Company Percentage Interest relative to the Company Percentage Interests of the other Non-Selling Members that are purchasing Offered Units. In addition, and subject to any applicable regulatory requirements, each Member shall take all other actions as may be reasonably necessary to consummate such purchase and sale, including entering into such additional agreements as may be necessary or appropriate.

(d) If all Non-Selling Members either (x) fail to deliver an Offer Notice to the Selling Member during the Offer Period with respect to any Offered Units, or (y) receive a Rejection Notice or receive neither an Acceptance Notice nor a Rejection Notice within the Acceptance Period with respect to any Offered Units, then the Selling Member may

Transfer all but not less than all of such Offered Units to a Third-Party Purchaser; provided that (i) if an Offer Notice was delivered by a Non-Selling Member to the Selling Member during the Offer Period with respect to any Offered Units, the Transfer of such Offered Units must be effected at a price equal to or higher than one hundred one percent (101%) of the highest price contained in the Offer Notices delivered by the Non-Selling Members and on other terms and conditions that are not materially less favorable, in the aggregate, to the Selling Member, than the terms and conditions set forth in the Offer Notice providing for such highest price (excepting the inclusion of customary representations and warranties given to the Third-Party Purchaser that would not customarily be given to an existing Member), (ii) the Selling Member must enter into a definitive agreement with respect to the Transfer of such Offered Units within one hundred eighty (180) days following the expiration of the applicable Offer Period (if no Non-Selling Member delivered an Offer Notice to the Selling Member during the Offer Period) or within one hundred eighty (180) days following the earlier of (A) the applicable Non-Selling Member's receipt of a Rejection Notice or (B) the expiration of the Acceptance Period, as applicable (if the applicable Offer Notice was delivered by any Non-Selling Member(s) to the Selling Member during the Offer Period) and (iii) the Transfer of such Offered Units must be consummated within the Regulatory Approval Period.

(e) If the Transfer of the applicable Offered Units has not been consummated within the Regulatory Approval Period pursuant to Section 12.4(c) or Section 12.4(d), such Offered Units shall again become subject to all restrictions of this Section 12.4.

Section 12.5 Drag-Along Rights.

(a) Following the expiration of the Lockup Period, and provided that the PG&E Holders have an aggregate Company Percentage Interest greater than fifty percent (50%), in the event that PG&E desires to Transfer, in any single transaction or series of related transactions, all of the Units owned by the PG&E Holders to any Person other than a Member or a Related Party of a Member (in such context, a "Drag-Along Purchaser"), then PG&E shall have the right (a "Drag-Along Right") to require all Investor Members to Transfer all of their respective Units to the Drag-Along Purchaser in accordance with the procedures set forth in this Section 12.5 (such Transfer that complies with the requirements of this Section 12.5, a "Drag-Along Sale") at the same per Unit price (which shall be payable in cash or Listed Securities that are Freely Tradable) as the Transfer of Units by the PG&E Holders to the Drag-Along Purchaser.

(b) PG&E may exercise its Drag-Along Right pursuant to this Section 12.5 by providing written notice of its election to do so to each Investor Member (a "Drag-Along Notice"), which notice shall identify the Drag-Along Purchaser and specify the proposed price per Unit and all other material terms and conditions of the Drag-Along Sale, including the anticipated closing date of the Drag-Along Sale.

(c) The Drag-Along Sale must be consummated within the Regulatory Approval Period applicable to the Transfer by the PG&E Holders to the Drag-Along Purchaser. No Investor Member shall Transfer or agree to Transfer any Units to any Person other than the Drag-Along Purchaser during the period between the date it receives a Drag-Along Notice and the conclusion of such Regulatory Approval Period. If the Drag-Along Sale shall not have been

consummated during such Regulatory Approval Period, all the restrictions on Transfer contained in this Agreement or otherwise applicable at such time with respect to the Units owned by the Members shall again be in effect.

(d) In the event that PG&E exercises its Drag-Along Right pursuant to this Section 12.5, the Investor Members shall take all actions as may be reasonably necessary to consummate the Drag-Along Sale, including making the Investor Representations and entering into such definitive agreements as are customary for transactions of the nature of the proposed Transfer.

(e) The Investor Members agree to (i) vote in favor of the transaction or transactions with the Drag-Along Purchaser, (ii) take such other action as may be required to effect such transaction and (iii) take all actions to waive any dissenters, appraisal or other similar rights with respect thereto.

(f) Notwithstanding anything to the contrary in this Agreement, PG&E shall not have the right to exercise its Drag-Along Right unless (i) the total consideration paid to each Investor in connection with such Drag-Along Sale would cause such Investor to achieve at least a [__] percent ([__]%)[6] IRR on each Common Unit, (ii) each Investor Member receives in such Drag-Along Sale the same consideration per Unit, in the same form, and otherwise on the same terms and conditions as are applicable to the sale of Units by the PG&E Holders, (iii) the liability of each Investor Member in such Drag-Along Sale is several and not joint and several with any other Member, (iv) the maximum liability of each Investor Member in the Drag-Along Sale is capped in the aggregate at the portion of the purchase price received by such Investor Member, (v) no Investor Member shall be subject to any non-competition covenants or non-solicitation covenants (other than customary non-solicitation of senior employees with carve-outs permitting general solicitations and any hiring therefrom), (vi) no Investor Member shall be subject to liability in connection with the Drag-Along Sale in excess of its pro rata share of the liability except with respect to Investor Representations and (vii) no Investor Member will be required to make any representations and warranties in connection with such Drag-Along Sale, other than the individual representations and warranties on a several basis and solely as to itself set forth on Schedule 12.5(f) (the "Investor Representations"). The Members shall use commercially reasonable efforts to cooperate with and provide reasonable assistance to PG&E and each Investor Member participating in the Drag-Along Sale in connection with obtaining or making any necessary consents, approvals, filings and notices from Governmental Authorities to consummate a Transfer contemplated by this Section 12.5.

Section 12.6 Tag-Along Rights.

(a) Following the expiration of the Lockup Period, in the event that any PG&E Holder (the "PG&E Seller") desires to Transfer, in any single transaction or series of related transactions, an amount of its Units representing a Company Percentage Interest equal to or greater than five percent (5%) to any Third-Party Purchaser, and the PG&E Seller cannot or has not elected to exercise any Drag-Along Right it may have with respect to such

[6] Note to Draft: The parties will determine a mutually agreeable IRR during Phase II of the auction process.

Transfer pursuant to Section 12.5, each Investor Member shall have the right (a "Tag-Along Right") to participate in such Transfer and require that a pro rata portion of its Units be Transferred to such Third-Party Purchaser in accordance with the procedures set forth in this Section 12.6 (such Transfer, a "Tag-Along Sale") at the same per Unit price as the Transfer of the Units by the PG&E Seller to such Third-Party Purchaser.

(b) Prior to any Transfer in connection with which an Investor Member has a Tag-Along Right pursuant to Section 12.6(a), and after satisfying its obligations pursuant to Section 12.4, the PG&E Seller shall deliver to such Investor Member a written notice (a "Tag-Along Offer Notice") of the proposed Transfer, which notice shall identify the Third-Party Purchaser, the aggregate number of Units the Third-Party Purchaser has offered to purchase (including whether the Third-Party Purchaser will purchase all Units proffered), the proposed price per Unit and all other material terms and conditions of the proposed Transfer.

(c) An Investor Member may exercise its Tag-Along Right by delivering a written notice (a "Tag-Along Election Notice") of its election to do so within twenty (20) Business Days following its receipt of a Tag-Along Offer Notice (the "Tag-Along Offer Period"). An Investor Member that has delivered a Tag-Along Election Notice within the Tag-Along Offer Period shall be termed a "Tag-Along Investor." The Tag-Along Election Notice shall specify the number of Units such Investor Member desires to Transfer. If the Third-Party Purchaser will purchase all Units proffered, such amount may be up to (or less than) the number of Units owned by such Investor Member. If the Third-Party Purchaser will not purchase all Units proffered, then such amount may be up to (or less than) the total Units proposed to be purchased by the Third-Party Purchaser *multiplied by* such Investor Member's Company Percentage Interest. In the event that an Investor Member elects to transfer less than the maximum number of Units it has a right to Transfer pursuant to this Section 12.6(c), the PG&E Seller may Transfer such additional number of Units to the Third-Party Purchaser as are equal to such difference.

(d) If an Investor Member fails to deliver a Tag-Along Election Notice within the Tag-Along Offer Period, such Investor Member shall be deemed to have waived its Tag-Along Right with respect to such Transfer, and the PG&E Seller may make the proposed Transfer without any further obligation to such Investor Member; provided that (i) such Transfer must be effected at a price per Unit that is no greater than the price per Unit set forth in the Tag-Along Offer Notice and on terms and conditions that are no more favorable, in the aggregate, to the PG&E Seller of the Units than the terms and conditions set forth in the Tag-Along Offer Notice, (ii) the PG&E Seller must enter into a definitive agreement with respect to the Transfer of such Units within one hundred eighty (180) days following the expiration of the Tag-Along Offer Period and (iii) such Transfer must be consummated within the Regulatory Approval Period. If such Transfer shall not have been consummated during the Regulatory Approval Period, all the restrictions on Transfer contained in this Agreement or otherwise applicable at such time with respect to the Units owned by the Members shall again be in effect and the PG&E Seller shall be required to again deliver a Tag-Along Offer Notice and the PG&E Seller and the Investor Members shall comply with the provisions of this Section 12.6.

(e) The Members shall cooperate with, and provide reasonable assistance to, the PG&E Seller and each Investor Member participating in the Tag-Along Sale in connection with obtaining or making any necessary consents, approvals, filings and notices from Governmental Authorities to consummate a Transfer contemplated by this Section 12.6.

(f) In the event that an Investor Member exercises its Tag-Along Right pursuant to this Section 12.6, such Investor Member shall take all actions as may be reasonably necessary to consummate the Tag-Along Sale, including making the Investor Representations and entering into such definitive agreements as are customary for transactions of the nature of the proposed Transfer; provided that (i) the liability of each of the PG&E Seller and each Tag-Along Investor shall be several and not joint and several, (ii) the maximum liability of each Tag-Along Investor to provide for its pro rata share of the indemnification by the Company shall be capped at the portion of the purchase price received by such Tag-Along Investor, as applicable, in such Transfer, (iii) no Tag-Along Investor shall be subject to any non-competition covenants or non-solicitation covenants (other than customary non-solicitation of senior employees with carve-outs for general solicitations and any hiring therefrom), (iv) no Tag-Along Investor shall be subject to liability in excess of its pro rata share of the liability except with respect to Investor Representations and (v) no Tag-Along Investor will be required to make any representations and warranties in connection with such Transfer, other than the Investor Representations.

(g) In the event that a Tag-Along Election Notice is delivered, then the PG&E Seller and the Tag-Along Investors shall pay their respective pro rata share (based on the number of Units to be Transferred) of expenses reasonably incurred by them in connection with a consummated Transfer of Units pursuant to the Tag-Along Right and only to the extent such expenses were incurred in connection with the Transfer of Units and not otherwise paid by the Company or the Third-Party Purchaser; provided that in connection with any Tag-Along Election Notice involving a PG&E Change of Control, only expenses directly associated with the sale of the Company and its Subsidiaries shall be included (and not any expenses associated with the sale of any other entity).

Section 12.7 Change of Control. The provisions of Section 12.3, Section 12.4, Section 12.5, Section 12.6 and Section 12.8 shall apply equally to an indirect Transfer of Units resulting from any transaction, or series of related transactions, that would result in a PG&E Change of Control or an Investor Member Change of Control as if the Units held by PG&E, in the event of a PG&E Change of Control, or the Investor Member, in the event of an Investor Member Change of Control, were being transferred directly by such Member pursuant to such provisions (except to the extent such provisions provide otherwise). For the avoidance of doubt, none of the obligations or restrictions in this Article XII shall apply to a PG&E Corp Change of Control.

Section 12.8 Other Prohibited Transfers.

(a) Notwithstanding anything herein to the contrary, no Member shall Transfer any Units (i) to any Prohibited Transferee, (ii) to the extent such Transfer would result in a violation of any Law or contractual, governmental or regulatory arrangements or requirements of the Company or any of the Company's Related Parties, including the Minority

Sale Agreements or (iii) to the extent such Transfer would result in (A) any assets of the Company being treated as "tax-exempt use property" within the meaning of Section 168(h) of the Code, (B) any assets of the Company being subject to the alternative depreciation system in Section 168(g) of the Code, or (C) the Company being taxed as an association taxable as a corporation pursuant to Treasury Regulations Section 301.7701-3 or a publicly traded partnership as described in Section 7704 of the Code.

(b) Notwithstanding anything herein to the contrary, an Investor Member shall not Transfer any Units to any Person (or its successors or any Related Party thereof) set forth on a schedule to be provided by PG&E on or after the date hereof. Such schedule may be updated by PG&E on or prior to December 31st each year (with an effectiveness of the next occurring January 1st) or more frequently if circumstances have caused PG&E reasonably to conclude that a specific prohibited person should be added; provided, however, no such update shall result in more than [fourteen (14)] Persons being listed on such schedule.

Section 12.9 Binding Effect on Transferees. Notwithstanding anything herein to the contrary (but without limiting the restrictions on Transfer set forth herein), prior to the Transfer by a Member of Units (or any other securities exercisable, exchangeable or convertible into Units) to any Person (including a Related Party), other than a Transfer of all outstanding Units of the Company, the transferring Member shall cause the transferee to execute and deliver such documents as may be necessary to make such Person a party hereto and pursuant to which such Person executes a counterpart to this Agreement in which it agrees to be bound by all of its terms to the same extent as the transferring Member effective on the date of the Transfer of the Units, whereupon the transferee shall be admitted as a Member of the Company. In the event that a Member Transfers less than all of its Units to a Third-Party Purchaser in accordance with this Article XII, the Members and the Company shall negotiate in good faith to amend this Agreement to the extent reasonably necessary to reflect the addition of such Member.

Section 12.10 Pledged Units; Step-In Right.

(a) Each Pledging Member will give the Company and each other Member prompt written notice in reasonable detail of any Relevant Pledge with respect to such Pledging Member. Promptly following the occurrence of any default or any other condition or occurrence (each, a "Default") in respect of Secured Debt that, if not cured or waived, could result in a Pledged Transfer, the applicable Pledging Member (the "Defaulting Member") shall provide written notice in reasonable detail to the other Members (the "Non-Defaulting Members") of such Default, and the Defaulting Member shall keep each Non-Defaulting Member reasonably apprised of the status of such Default. If the holders of such Secured Debt (or any agent, trustee or other authorized representative thereof (collectively, the "Debt Holders")) exercise, or indicate in writing (and not subsequently withdrawn) an intent to exercise, a right of possession, power of sale, foreclosure or any other remedy with respect to the Pledged Units or any other remedy that could reasonably be expected to result in a Pledged Transfer, then the Defaulting Member shall promptly provide written notice thereof in reasonable detail to the Non-Defaulting Members. Within sixty (60) days of the notice referred to in the immediately preceding sentence (the "Non-Defaulting Member Purchase Right Notice Period"), any Non-Defaulting Member may, upon written notice (the "Election Notice") to the

Defaulting Member (which notice may specify conditions to such election), elect to provide funds ("Non-Defaulting Member Purchase Right") to the Debt Holders, in an amount sufficient to pay in full (including accrued and unpaid interest, fees and expenses) the outstanding amount of the Secured Debt (the "Purchase Amount" and each such Non-Defaulting Member that makes such an election pursuant to this Section 12.10(a), a "Purchasing Member"). In the event such Purchasing Member timely exercises the Non-Defaulting Member Purchase Right, and pays the Purchase Amount to the Debt Holders not later than thirty (30) days after the delivery of the Election Notice (or such other period as may be agreed by the Defaulting Member and the Purchasing Member), the Defaulting Member will (x) use its reasonable best efforts to obtain (at the expense of such Defaulting Member) such releases as may be reasonably requested by the Purchasing Member with respect to the Pledged Units and (y) promptly transfer the Pledged Units to the Purchasing Member; provided that, if the transfer of the Pledged Units to the Purchasing Member is subject to regulatory approvals, the applicable parties shall use reasonable best efforts to obtain such approvals, and such Transfer shall occur within five (5) Business Days after all such approvals have been received, but in no event later than the end of the Regulatory Approval Period (for the avoidance of doubt, the transfer restrictions in Section 12.3, Section 12.4 and Section 12.6 shall not apply to such transfer of Pledged Units to the Purchasing Member).

(b) In the event that, prior to the expiration of the Non-Defaulting Member Purchase Right Notice Period, multiple Non-Defaulting Members elect to exercise the Non-Defaulting Member Purchase Right, then each such Non-Defaulting Member shall be entitled to participate in such exercise in proportion to its pro rata share of the Pledged Units based on such Non-Defaulting Member's Company Percentage Interest relative to the Company Percentage Interests of the other Non-Defaulting Members that are purchasing Pledged Units. For the avoidance of doubt, no Non-Defaulting Member shall be responsible for the payment by any other Non-Defaulting Member of the Purchase Amount.

(c) A Pledged Transfer shall not be permitted unless (i) there are no Non-Defaulting Members that elect to exercise their Non-Defaulting Member Purchase Right within the Non-Defaulting Member Purchase Right Notice Period or (ii) one or more of the Non-Defaulting Members elects to exercise its Non-Defaulting Member Purchase Right within the Non-Defaulting Member Purchase Right Notice Period but does not pay its portion of the Purchase Amount within the period contemplated by Section 12.10(a), in which case a Pledged Transfer shall be permitted solely with respect to the Pledged Units that were to be transferred to the Non-Defaulting Members that failed to pay their portion of the Purchase Amount. Each Pledged Transfer shall be subject to Sections 12.1(b) and 12.8 and, upon the effectiveness of any Pledged Transfer permitted hereunder, the applicable transferee (or, if such Pledged Transfer is an indirect Transfer of the Pledged Units, the Pledging Member) shall not have, or shall cease to have, as applicable, any rights under Article VIII or Article XIV, the right to designate any Manager or Board Observer or the right to indemnification pursuant to Section 11.2 with respect to such Pledged Units.

ARTICLE XIII

REPRESENTATIONS AND WARRANTIES

Section 13.1 Member Representations and Warranties. Each Member hereby represents and warrants, severally and not jointly, to the Company and to the other Members as follows:

(a) The Member possesses all requisite capacity, power and authority necessary to enter into this Agreement and to carry out the terms and provisions hereof and the transactions contemplated hereby.

(b) The execution and delivery of this Agreement, and the performance by the Member of its obligations hereunder, have been duly authorized by the board of directors or other similar governing body of the Member and upon due authorization, execution and delivery by the other parties, will constitute the valid and legally binding agreement of the Member, enforceable in accordance with its terms against the Member, except as enforcement may be limited by (i) the effect of bankruptcy, insolvency, reorganization, receivership, conservatorship, arrangement, moratorium or other laws affecting or relating to creditors' rights generally or (ii) the rules governing availability of specific performance, injunctive relief or other equitable remedies and general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(c) The execution, delivery and performance of this Agreement by the Member does not and will not result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, credit agreement, note or other evidence of indebtedness, lease or other agreement, license, permit, franchise or certificate, to which the Member is a party or by which it is bound or to which any of its properties are subject, or require any authorization or approval under or pursuant to any of the foregoing, or violate the Organizational Documents of the Member, or violate in any material respect any statute, regulation, law, order, writ, injunction or decree to which the Member is subject.

(d) The Member understands that the Units have not been, and any New Units issued pursuant to this Agreement will not be (unless otherwise agreed by the parties), registered under the Securities Act and, if and to the extent the Securities Act applies, cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available and pursuant to registration or qualification (or exemption therefrom) under applicable state securities laws. The Member has such knowledge and experience in financial and business matters that it is capable of evaluating the Company and the merits and risks of an investment in the Units, and the Member has the ability to bear the economic risk of its investment in the Units. The Member has been given the opportunity to ask questions of, and receive answers from, the Company concerning the terms and conditions of, and other matters pertaining to, this investment, and has had access to such financial and other information concerning the Company as it has considered necessary to make a decision to invest in the Company and has availed itself of this opportunity to the full extent desired.

(e) The Member (or, if it is an entity disregarded as separate from its owner for U.S. federal tax purposes, its owner for such purposes) (i) is and will remain a "United States person" within the meaning of Section 7701(a)(30) of the Code and (ii) is not and will not become a Tax-Exempt Entity.

(f) The Member has not obtained, nor will such Member transfer or assign, any of its Units (or any interest therein) or cause any of its Units (or any interest therein) to be marketed on or through an "established securities market" within the meaning of Section 7704(b)(1) of the Code, or a "secondary market," or the substantial equivalent thereof, within the meaning of Section 7704(b)(2) of the Code, including an over-the-counter market or an interdealer quotation system that regularly disseminates firm buy or sell quotations. The participation of such Member as a Member will not cause the Company to have more than one hundred (100) partners (within the meaning of Treasury Regulations Section 1.7704-1(h), including the look through rule in Treasury Regulations Section 1.7704-1(h)(3)).

ARTICLE XIV

SEPARATION AGREEMENT CLAIMS

Section 14.1 Consultation Rights. In connection with any claims for indemnification by the Company against PG&E pursuant to Article VIII of the Separation Agreement, each Investor 20% Member will have the right to:

(a) notify the Board in writing of any Separation Agreement Loss incurred, or reasonably likely to be incurred, by the Company pursuant to the Separation Agreement of which such Investor 20% Member shall have become aware;

(b) be notified in writing by the Company, as soon as reasonably practicable, if the Company has become aware of an event that is reasonably likely to give rise to a Separation Agreement Loss, which notice shall contain a description of such event and, if applicable, a description of any third-party claims relevant to such event to the actual knowledge of President, the Chief Financial Officer or the General Counsel;

(c) be notified in writing by the Company, as soon as reasonably practicable, of any material developments with respect to any claim for indemnification made by the Company in respect of a Separation Agreement Loss, including the status of any cure being undertaken by PG&E, the judgment of the Board as to the recoverability of such Separation Agreement Loss in the Company's rates and the status of any claim under an insurance policy; and

(d) be consulted with respect to any settlement or resolution of any claim for indemnification by the Company in respect of a Separation Agreement Loss.

Section 14.2 Dispute Procedures. If an Investor 20% Member reasonably disagrees with the Company's decision to settle or resolve a claim pursuant to Section 14.1(d) or to not seek indemnification against PG&E for a potential Separation Agreement Loss, such Investor or the Company may invoke the dispute resolution procedures pursuant to Section 15.11.

Section 14.3 Claims Related to Article IV of Separation Agreement.

(a) In the event that the Company makes a claim for indemnification for Separation Agreement Losses against PG&E pursuant to Article VIII of the Separation Agreement and MSA Losses related to the same set of facts would also be incurred or suffered by Investor Member(s) as a result of any misrepresentation, inaccuracy or breach of a Generation Business R&W (as defined in the applicable Minority Sale Agreement) set forth in Article V of the applicable Minority Sale Agreement, each Investor Member shall as soon as reasonably practicable make a claim under the applicable RWI Policy for such MSA Losses and use reasonable best efforts to cause the insurer under such RWI Policy to pay such claim (any such recovered MSA Losses by an Investor Member, the "RWI Generation Business Losses").

(b) If an Investor Member recovers any RWI Generation Business Losses under the RWI Policy, such Investor Member shall contribute to the Company an amount equal to such recovered RWI Generation Business Losses (net of any out-of-pocket expenses incurred by Investor in recovering such amount); provided, however, an Investor Member shall not be required to (i) contribute amounts to the Company until such time as PG&E shall make the corresponding indemnification payment to the Company pursuant to Article VIII of the Separation Agreement, (ii) contribute any amounts to the Company in excess of the payments by PG&E to the Company (as adjusted for the percentage interests of PG&E and such Investor Member) or (iii) contribute any amounts representing recovered RWI Generation Business Losses for which PG&E has cured the breach of the Generation Business R&W giving rise to such RWI Generation Business Losses pursuant to Section 8.2(g) of the Separation Agreement, and the Company has determined that, following such cure, the Company has not incurred a Loss (as defined in the Separation Agreement).

ARTICLE XV

MISCELLANEOUS

Section 15.1 Entire Agreement. This Agreement, the Separation Agreement and the Minority Sale Agreements constitute the entire agreement and understanding of the parties in respect of the subject matter contained herein and therein and supersede all prior agreements and understandings between the parties hereto with respect to such subject matter.

Section 15.2 Governing Law. THIS AGREEMENT, THE LEGAL RELATIONS BETWEEN THE PARTIES HERETO AND THE ADJUDICATION AND THE ENFORCEMENT THEREOF, SHALL BE GOVERNED BY AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO APPLICABLE CHOICE OF LAW PROVISIONS THEREOF.

Section 15.3 Specific Performance. The parties agree that irreparable harm would occur and the parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to seek an

injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity, all in accordance with Section 15.11. The parties hereby waive, in any action for specific performance, the defense of adequacy of a remedy at law and the posting of any bond or other undertaking or security in connection therewith. Each party further agrees that (a) by seeking any remedy provided in this Section 15.3, a party shall not in any respect waive its right to seek any other form of relief that may be available to a party under this Agreement and (b) nothing contained in this Section 15.3 shall require any party to institute any action for (or limit any party's right to institute any action for) specific performance under this Section 15.3 prior to exercising any other right under this Agreement.

Section 15.4 Notices. All notices, requests, consents and other communications under this Agreement must be in writing and shall be deemed to have been duly given and effective (a) immediately if delivered before 5:30 p.m. (Pacific Time) on a Business Day (or, if not delivered or sent on or before 5:30 p.m. (Pacific Time) on a Business Day, the next Business Day) if delivered or sent and received by electronic mail and if hard copy is delivered by overnight delivery service the next Business Day or (b) on the date of delivery (or, if not delivered on a Business Day, the next Business Day) if by hand delivery or by a nationally recognized overnight delivery service (all fees prepaid). All notices shall be delivered to the following addresses or such other addresses as may hereafter be designated in writing by such party to the other parties:

(a) If to [Investor Entity]:

[Address]
Attention: [__]
Email: [__]

with copies (which shall not constitute notice) to:

[Address]
Attention: [__]
Email: [__]

(b) If to [Investor Entity]:

[Address]
Attention: [__]
Email: [__]

with copies (which shall not constitute notice) to:

[Address]
Attention: [__]
Email: [__]

(c) If to PG&E or [New Holdco]:

Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: [__]
Email: [__]

with copies (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, NW
Washington, DC 20005
Attention: Pankaj Sinha
Email: psinha@skadden.com

Munger, Tolles & Olson LLP
350 South Grand Ave, 50th Floor
Los Angeles, CA 90071
Attention: Judith Kitano
Email: judith.kitano@mto.com

(d) If to the Company:

Pacific Generation LLC
300 Lakeside Drive
Oakland, CA 94612
Attention: [President]
Email: [__]

with copies (which shall not constitute notice) to:

Pacific Generation LLC
300 Lakeside Drive
Oakland, CA 94612
Attention: General Counsel
Email: [__]

Section 15.5 Assignment; Third-Party Beneficiaries. Except as otherwise provided herein, all the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective successors and permitted assigns of the parties. No Member, nor the Company, shall purport to assign or Transfer all or any of its rights or obligations under this Agreement nor grant, declare, create or dispose of any right or interest in this Agreement in whole or in part except with respect to a Transfer in accordance with the terms of this Agreement. The Eligible Persons, and with respect to the provisions of Section 12.10, each Debt Holder, shall be express, intended third-party beneficiaries of Article XI, and this Section 15.5. Except for the Eligible Persons and the Debt Holders, this Agreement is not intended to confer any rights or remedies hereunder upon any other Person except the parties, it being for the exclusive benefit of the parties and their respective successors and

permitted assigns. Persons other than the parties may not rely upon the representations and warranties in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

Section 15.6 Waiver. No waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is made expressly in an instrument in writing specifically referring to this Agreement and executed and delivered by the party against whom such waiver is claimed. No waiver of any breach shall be deemed to be a further or continuing waiver of such breach or a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof, or the exercise of any other right, power or remedy. The rights and remedies of the parties under this Agreement are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise.

Section 15.7 Severability. Any term or provision of this Agreement that is determined by a court of competent jurisdiction to be invalid or unenforceable for any reason shall, as to that jurisdiction, be ineffective solely to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is determined by a court of competent jurisdiction to be so broad as to be unenforceable, that provision shall be interpreted to be only so broad as is enforceable.

Section 15.8 Amendment. This Agreement may be amended, modified or supplemented, with respect to any of the terms contained in this Agreement, only by written agreement (referring specifically to this Agreement) signed by or on behalf of all Members whose approval is required pursuant to Section 8.1(a). Any amendment or revision to the Register of Members hereto or to the Company's records that is made solely to reflect information regarding Members shall not be considered an amendment to this Agreement and shall not require any Board or Member approval.

Section 15.9 Termination. This Agreement shall terminate upon the earlier of (i) the unanimous consent of the Members or (ii) a Dissolution Event.

Section 15.10 Confidential Information.

(a) General. The Company and each Member shall, and shall cause their respective Related Parties and Representatives (including the Managers appointed by such Member) to, keep confidential any information which it may have or acquire before or after the date of this Agreement, including any information acquired pursuant to Section 9.1 and Section 9.2, concerning the Company and its assets, business, operations, affairs, financial condition or prospects or concerning another Member or this Agreement (such information, "Confidential Information").

(b) Non-Disclosure. Neither the Company nor any Member shall use any Confidential Information in any manner detrimental to the Company or any Member nor shall any of them disclose, publish or make accessible, directly or indirectly, any Confidential Information to any Person. In addition, the Company and each Member shall exercise all reasonable efforts to prevent any other Person from gaining access to such Confidential Information and take such protective measures as may be or become reasonably necessary to preserve the confidentiality of such Confidential Information.

(c) Exceptions. Notwithstanding Section 15.10(a) and Section 15.10(b), the Company and each Member may disclose Confidential Information:

(i) to any Representative of the Company or such Member; provided that such Representative has a need to know and has been informed of the confidential nature of the information pursuant to Section 15.10(d);

(ii) to the extent required by (A) any applicable Law, (B) any stock exchange rule or regulation or (C) any binding judgment, order or requirement of any court or other Governmental Authority of competent jurisdiction; provided that the Company or such Member, as the case may be, has delivered written notice to and consulted, to the extent practicable, with the other parties prior to disclosure of such Confidential Information;

(iii) to any prospective purchaser of Units, or of any other interest in the Company and the advisers and financing sources of any such Person; provided that confidentiality undertakings are obtained that are no less restrictive than those set forth in this Section 15.10;

(iv) to the extent necessary for the performance of the Minority Sale Agreements or any exercise by a party of its rights thereunder or hereunder; or

(v) to the extent such Confidential Information becomes available within the public domain (otherwise than as a result of a breach of this Section 15.10).

(d) Representatives Bound. Each party shall inform any Representative to whom it provides Confidential Information that such information is confidential and shall instruct them (i) to keep such Confidential Information confidential and (ii) not to disclose it to any Third Party (other than those Persons to whom such Confidential Information has already been disclosed in accordance with the terms of this Agreement). The disclosing party shall be responsible for any breach of this Section 15.10 by the Person to whom the Confidential Information is disclosed.

(e) Other Confidentiality Obligations. The Members shall otherwise comply with, and the Company shall implement appropriate procedures (including in the code of conduct) to ensure compliance with, all applicable Laws regarding confidentiality of information.

(f) Survival. Notwithstanding anything herein to the contrary, the provisions of this Section 15.10 shall survive the termination of this Agreement for a period of

three (3) years and, with respect to each Member, shall survive for a period of three (3) years following the date on which such Member is no longer a Member.

Section 15.11 Dispute Resolution.

(a) Intent of the Parties. Except as otherwise provided in Section 15.3, the sole procedure to resolve any claim arising out of or relating to this Agreement is the dispute resolution procedure set forth in this Section 15.11. Each party may seek injunctive relief with respect to this Agreement or other provisional judicial remedy in accordance with Section 15.3 if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both parties nonetheless shall continue to pursue resolution of the dispute by means of this procedure.

(b) Management Negotiations.

(i) The parties shall attempt in good faith to resolve any dispute, controversy or claim arising out of or relating to this Agreement (a "Dispute") by prompt negotiations between each party's authorized representative, or such other person designated in writing as a representative of the party (each, a "Negotiation Representative"). Either Negotiation Representative may request a meeting (such meeting to be held in person or by telephone or video conference) to initiate negotiations to be held within ten (10) Business Days of the other party's receipt of such request, at a mutually agreed time and place. If the Dispute is not resolved within fifteen (15) Business Days of their first meeting ("Initial Negotiation End Date"), the Negotiation Representatives shall refer the matter to the designated senior-management level representatives of their respective entities (each, an "Executive"), who shall have authority to settle the Dispute. Within five (5) Business Days of the Initial Negotiation End Date ("Referral Date"), each party shall provide one another written notice confirming the referral and identifying the name and title of the Executive who will represent the party.

(ii) Within five (5) Business Days of the Referral Date the Executives shall establish a mutually acceptable location and date, which date shall not be greater than thirty (30) days from the Referral Date, to meet. After the initial meeting date, the Executives shall meet, as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the Dispute.

(iii) 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.

(iv) If the matter is not resolved within forty-five (45) days of the Referral Date, or if the party receiving the written request to meet, pursuant to Section 15.11(b)(i) above, refuses or does not meet within the ten (10)-Business Day period specified in Section 15.11(b)(i), either party may initiate mediation of the controversy or claim according to the terms of the following Section 15.11(c).

(c) Mediation. If the Dispute cannot be so resolved by negotiation as set forth in Section 15.11(b), it shall be resolved at the request of either party through a two-

step dispute resolution process administered by JAMS. As the first step the parties agree to mediate any Dispute before a mediator from the JAMS, pursuant to the applicable JAMS commercial mediation rules, in San Francisco, California. Either party may begin mediation by serving a written demand for mediation. The mediator shall not have the authority to require, and neither party may be compelled to engage in, any form of discovery prior to or in connection with the mediation. If within sixty (60) days after service of a written demand for mediation, the mediation does not result in resolution of the Dispute, then the controversy shall be settled by arbitration conducted by a retired judge or justice from JAMS conducted in San Francisco, California, administered by and in accordance with the applicable JAMS commercial arbitration rules. The period commencing from the date of the written demand for mediation until the appointment of a mediator shall be included within the sixty (60)-day mediation period. Any mediator(s) and arbitrator(s) shall have no affiliation with, financial or other interest in, or prior employment with either party and shall be knowledgeable in the field of the Dispute. Either party may initiate arbitration by filing with JAMS a notice of intent to arbitrate within sixty (60) days of service of the written demand for mediation.

(d) Arbitration Procedures.

(i) At the request of a party, the arbitrator shall have the discretion to order depositions of witnesses to the extent the arbitrator deems such discovery relevant and appropriate. Depositions shall be limited to a maximum of three (3) 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 six (6) 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 interrogatories, upon good cause shown.

(ii) Each of the parties shall submit to the arbitrator, in accordance with a schedule set by the arbitrator, offers in the form of the award it considers the arbitrator should make. If the arbitrator requires the parties to submit more than one such offer, the arbitrator shall designate a deadline by which time the parties shall submit their last and best offer. In such proceedings the arbitrator shall be limited to awarding only one of the two "last and best" offers submitted, and shall not determine an alternative or compromise remedy.

(iii) The arbitrator shall have no authority to award punitive or exemplary damages or any other damages other than direct and actual damages and the other damages contemplated by this Agreement.

(iv) 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 by agreement of the parties or by the arbitrator, if necessary. The San Francisco County Superior Court may enter judgment upon any award rendered by the arbitrator. The

parties are aware of the decision in Advanced Micro Devices, Inc. v. Intel Corp., 9 Cal. 4th 362 (1994), and, except as modified by this Agreement, intend to limit the power of the arbitrator to that of a Superior Court judge enforcing California law. The prevailing party in this dispute resolution process is entitled to recover its costs and reasonable attorneys' fees.

(v) 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 such arbitrator.

(vi) Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

Section 15.12 Limitations on Liability. No Member shall be liable to any other Member for any indirect, incidental, consequential, special, treble or punitive damages, nor for any loss of profit, loss of use, loss of business or business interruption damages of any kind.

Section 15.13 [Waiver of Sovereign Immunity. Each Member agrees that the execution, delivery and performance by it of this Agreement constitutes private and commercial acts done for private and commercial purposes. As such, each Member consents to any relief and the issue of any process in any proceeding related to this Agreement, including any proceeding to enforce or execute upon a judgment or award arising out of or related to this Agreement; and, in any proceeding related to this Agreement, each party also waives and agrees not to plead any immunity that it, or its property or assets (irrespective of their use or intended use), has or may hereafter acquire by virtue of its relationship with, or possible congruence with, any sovereign or sovereign entity, or sovereign's agents, representatives, employees or other individuals (such as immunity from service of process, immunity from the jurisdiction of any court or immunity from order or attachment of a court), including, for the avoidance of doubt, prejudgment attachment. For the purposes of this provision, "assets" shall be taken as excluding "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed at Vienna, April 18, 1961, "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963, and military property or military assets or property of such party.][7]

Section 15.14 Further Actions; Cooperation. Each of the parties agrees to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable in connection with the transactions contemplated by this Agreement.

Section 15.15 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which shall constitute one (1) and the same Agreement. The parties hereto agree that this Agreement may be executed by way of electronic signatures and that the electronic signature has the same binding effect as a physical signature. For the avoidance of doubt, the parties further agree that this Agreement, or any part

[7] Note to Draft: To be included if applicable.

thereof, shall not be denied legal effect, validity or enforceability solely on the ground that it is in the form of an electronic record.

Section 15.16 Time of Essence. The parties agree that time is and will be of the essence of this Agreement in all respects.

Section 15.17 Costs and Expenses. Except as otherwise expressly provided herein or in any Minority Sale Agreement, all legal and accounting costs, charges and expenses (including Taxes) incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the party incurring such expenses. Notwithstanding the foregoing, should any litigation be commenced between the parties or their Representatives concerning any provision of this Agreement or the rights and duties of any Person hereunder, the party or parties prevailing in such proceeding shall be entitled, in addition to such other relief as may be granted, to the reasonable attorneys' fees and other litigation costs incurred by reason of such litigation.

Section 15.18 Public Announcements.

(a) No public announcement or press release in connection with the execution or subject matter of this Agreement or the acquisition or disposition of Units by any Person shall be made or issued by or on behalf of any party without the prior written approval of all of the Members, which approval shall not be unreasonably withheld, conditioned or delayed, except as may be required by applicable Law or obligations under any listing agreement with or rules of any national securities exchange and except for such press releases or public announcements that use statements that previously have been made publicly.

(b) Notwithstanding Section 15.18(a), if a party is required to make or issue any announcement required by Law or the rules of any stock exchange to which the disclosing party is subject or by any Governmental Authority, the disclosing party shall give the other parties reasonable opportunity to comment on such announcement or release before it is made or issued (provided that opportunity to comment shall not have the effect of preventing the party making the announcement or release from complying with its disclosure obligations).

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

COMPANY:

PACIFIC GENERATION LLC

By:_____
Name:
Title:

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

NEW INVESTOR:

[NEW INVESTOR ENTITY]

By:_____
Name:
Title:

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

NEW HOLDCO:

[NEW HOLDCO]

By:_____
Name:
Title:

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

PG&E:

PACIFIC GAS AND ELECTRIC COMPANY

By:_____
Name:
Title:

EXHIBIT A
DEFINED TERMS

"ACC Deadline" has the meaning set forth in Section 4.2(g).

"Acceptance Notice" has the meaning set forth in Section 12.4(b).

"Acceptance Period" has the meaning set forth in Section 12.4(b).

"Act" has the meaning set forth in the Recitals to this Agreement.

"Additional Capital Contribution" has the meaning set forth in Section 4.2(a).

"Additional Elected Portion" has the meaning set forth in Section 4.2(f).

"Adjusted Capital Account" means, with respect to any Member for any period, such Member's Capital Account as of the end of such period, after giving effect to the following adjustments: (a) increase such Capital Account by any amounts that such Member is obligated to restore to the Company pursuant to this Agreement or pursuant to Treasury Regulations Section 1.704-1(b)(2)(ii)(c) or is deemed obligated to restore as described in the penultimate sentences of Treasury Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5) and (b) decrease such Capital Account by the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6). The adjustments in this definition of Adjusted Capital Account are intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Agreement" has the meaning set forth in the Preamble to this Agreement.

"Annual Budget" means the consolidated annual budget of the Company and its Subsidiaries, including budgeted statements of earnings and sources and uses of cash and balance sheets.

"Beneficially Own" means, with respect to any securities, having "beneficial ownership" of such securities for purposes of Rule 13d-3 or 13d-5 under the Exchange Act as in effect on the date hereof. The terms "Beneficial Owner" and "Beneficially Owned" have correlative meanings.

"Board" has the meaning set forth in Section 7.1(a).

"Board Observer" has the meaning set forth in Section 7.4.

"Business Day" means a day other than a Saturday or Sunday or any other day on which banks are required to be closed or are authorized to close in San Francisco, California or New York, New York.

"Capital Account" has the meaning set forth in Section 4.4.

"Capital Call" has the meaning set forth in Section 4.2(b).

"Capital Call Equity Valuation" has the meaning set forth in Section 4.2(b).

"Capital Contribution" means, with respect to any Member, the amount of money and the fair market value of any property contributed to the Company with respect to the Membership Interests in the Company held or purchased by such Member.

"Carrying Value" means, with respect to any asset of the Company, the asset's adjusted basis as of the relevant date for U.S. federal income tax purposes, except as follows:

(i) the initial aggregate Carrying Values of the assets as of the date hereof shall be equal to the sum of (A) the aggregate Capital Account balances of the Members as set forth on Schedule B, and (B) the aggregate amount of all liabilities of the Company for federal income tax purposes;

(ii) the initial Carrying Value of any asset contributed by a Member to the Company after the date hereof shall be the gross fair market value of such asset as agreed to by the Board in good faith;

(iii) the Carrying Values of all Company assets shall be adjusted at the election of the Board to equal their respective fair market values (determined on a gross basis) as determined by the Board in good faith, as of the following times:

(1) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis capital contribution, within the meaning of Treasury Regulations Section 1.704-1(b)(2)(iv)(f)(5);

(2) the distribution by the Company to a Member of more than a de minimis amount of money or Company property as consideration for an interest in the Company; and

(3) the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(iv)(f)(5)(ii);

(iv) the Carrying Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Section 734(b) or Section 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining a Member's Capital Account pursuant to (A) Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and (B) subparagraph (vi) of the definition of Profits or Losses; provided, however, that Carrying Values shall not be adjusted pursuant to this subparagraph (iv) to the extent that an adjustment pursuant to subparagraph (iii) is required in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (iv);

(v) the Carrying Value of any item of Company assets distributed to any Member shall be adjusted to equal the gross fair market value (taking Code Section 7701(g) into account) of such asset on the date of distribution as determined by the Board in good faith; and

(vi) if the Carrying Value of an asset has been determined or adjusted pursuant to subsection (ii), (iii) or (iv) above, such Carrying Value shall thereafter be adjusted by the

Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses and other items allocated pursuant to Article VI.

The foregoing definition of Carrying Value is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(iv) and shall be interpreted and applied consistently therewith.

"Certificate of Formation" has the meaning set forth in the Recitals to this Agreement.

"Chairperson" has the meaning set forth in Section 7.5.

"Claim" has the meaning set forth in Section 11.2(b).

"Class" means the type of Membership Interest: (i) Common Units or (ii) any other class of Membership Interests created by the Board pursuant to Section 3.3.

"Closing" has the meaning set forth in the applicable Minority Sale Agreement.[8]

"Code" means the Internal Revenue Code of 1986 and any successor thereto.

"Common Member" means a holder of Common Units.

"Common Units" means Units of the Company designated on the date of issuance as "Common Units" on the Register of Members representing a limited liability interest in the Company and having the rights, preferences and privileges applicable to the holders of the Common Units hereunder.

"Company" has the meaning set forth in the Preamble to this Agreement.

"Company Business" has the meaning set forth in Section 2.3.

"Company Business Opportunity" has the meaning set forth in Section 3.6(c).

"Company Business Plan" has the meaning set forth in Section 9.3(a).

"Company Minimum Gain" has the meaning set forth with respect to the term "partnership minimum gain" in Treasury Regulations Sections 1.704-2(b)(2) and 1.704-2(d).

"Company Percentage Interest" means, with respect to any Member, the fraction, expressed as a percentage, whose numerator is the total number of Common Units then held by such Member and whose denominator is the total number of issued and outstanding Common Units. The Company Percentage Interests of all Members shall at all times equal 100% in the aggregate and shall be set forth on the Register of Members.

[8] Note to Draft: This definition will be revised if there are multiple MSAs that close on different dates.

"Confidential Information" has the meaning set forth in Section 15.10(a).

"Contributing Member" has the meaning set forth in Section 4.2(e).

"Contribution Notice" has the meaning set forth in Section 4.2(e).

"Contribution Option Period" has the meaning set forth in Section 4.2(d).

"Control" means, with respect to the relationship between two (2) or more Persons, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, as trustee or executor, by contract or otherwise. The terms "Controlled" or "under common Control with" have correlative meanings.

"Corporate Opportunity" has the meaning set forth in Section 3.6(b).

"CPUC" means the California Public Utilities Commission.

"Debt" means all (a) obligations of a Person for borrowed money, including obligations of such Person evidenced by bonds, debentures, notes or similar instruments; (b) obligations under commodity hedging arrangements, exchange rate contracts, interest rate protection agreements or other hedging or derivatives arrangements solely to the extent such obligations would have been considered indebtedness on the Company's balance sheet; (c) obligations to reimburse the issuer of any letter of credit, surety bond, performance bond or other guarantee of contractual performance, in each case to the extent drawn; (d) obligations of a Person under leases classified as capital or finance leases in such Person's financial statements or required to be so classified in accordance with GAAP; (e) guarantees with respect to obligations of other Persons of the type referred to in clauses (a) through (d); and (f) obligations of the type referred to in clauses (a) through (e) of other Persons secured by any Lien on any property or asset of such Person. "Debt" does not include any (A) intercompany obligations between or among the Company and its Subsidiaries to the extent eliminated in consolidation or (B) accounts payable of the Company and its Subsidiaries incurred in the ordinary course of business or pursuant to Existing Related Party Transactions.

"Debt Holders" has the meaning set forth in Section 12.10(a).

"Default" has the meaning set forth in Section 12.10(a).

"Defaulting Member" has the meaning set forth in Section 12.10(a).

"Depreciation" means for each Fiscal Year or part thereof, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for U.S. federal income tax purposes with respect to an asset for such year or other relevant period, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year, Depreciation shall be an amount that bears the same ratio to such Carrying Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other relevant period bears to such adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization or other cost recovery

deduction for such year is zero, Depreciation shall be determined with reference to such Carrying Value using any reasonable method selected by the Partnership Representative, and that is permitted under the Code and Treasury Regulations.

"Designated Assets" means the assets, or any of them, listed on Schedule 8.1(d).

"Dispute" has the meaning set forth in Section 15.11(b)(i).

"Dissolution Event" has the meaning set forth in Section 10.1.

"Distribution Policy" means the Distribution Policy of the Company and its Subsidiaries set forth on Exhibit B hereto.

"Drag-Along Notice" has the meaning set forth in Section 12.5(b).

"Drag-Along Purchaser" has the meaning set forth in Section 12.5(a).

"Drag-Along Right" has the meaning set forth in Section 12.5(a).

"Drag-Along Sale" has the meaning set forth in Section 12.5(a).

"Effective Time" means the time on the date hereof at which this Agreement was executed and delivered by the Members.

"Electing Member" has the meaning set forth in Section 4.2(g).

"Election Notice" has the meaning set forth in Section 12.10(a).

"Eligible Person" has the meaning set forth in Section 11.2(c).

"Emergency Advance" has the meaning set forth in Section 4.2(h).

"Emergency Situation" means, with respect to the business of the Company and its Subsidiaries, any abnormal condition or situation that, in the Board's reasonable judgment, adversely affects, or potentially may adversely affect, the integrity of the electric, gas, or other systems of the Company or its Subsidiaries, or the safety of workers or the public, or the property or facilities of others.

"Equity Interests" means, with respect to any Person, (a) equity interests in such Person (including, for the avoidance of doubt, in the case of the Company, Units), (b) obligations, evidences of indebtedness or other securities or interests, in each case, convertible or exchangeable into equity interests (including, for the avoidance of doubt, in the case of the Company, Units) in such Person and (c) warrants, options or other rights to purchase or otherwise acquire equity interests (including, for the avoidance of doubt, in the case of the Company, Units) in such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Exchange Act" means the Securities Exchange Act of 1934.

"Executive" has the meaning set forth in Section 15.11(b)(i).

"Existing Operating Agreement" has the meaning set forth in the Recitals to this Agreement.

"Existing Related Party Transaction" has the meaning set forth in Section 8.1(f).

"Expense" has the meaning set forth in Section 11.2(d).

"Fiscal Year" has the meaning set forth in Section 9.6.

"Freely Tradable" means, with respect to any securities, securities that can be immediately sold to the general public without the necessity of any United States federal, state or local government consent, approval or filing and are not subject to any lockup or contractual restriction on the sale or transfer thereof.

"GAAP" means the generally accepted accounting principles in the United States.

"Generation Business R&W" means (i) in respect of the Separation Agreement, the representations and warranties made by PG&E to the Company in Section 4.5 (*Compliance with Law*), Section 4.6 (*No Litigation*), Section 4.7 (*Permits*), Section 4.8 (*Water Rights*), Section 4.9 (*Real Property*), Section 4.10 (*Title and Condition; Sufficiency of Assets*), Section 4.11 (*Material Assigned Contracts*), Section 4.12 (*Insurance*), Section 4.13 (*Employees and Employee Benefit Plans; Labor*), Section 4.14 (*Environmental Matters*), Section 4.15 (*Data Privacy; Cybersecurity*) and Section 4.17 (*Intellectual Property*) of the Separation Agreement and (ii) in respect of the Minority Sale Agreement, the representations and warranties made by PG&E to the Investors pursuant to Article V of the applicable Minority Sale Agreement.

"Government Official" shall mean any officer or employee or family member of an officer or employee of a government, department (whether executive, legislative, judicial or administrative), agency or instrumentality of such government, including any government-owned business, a public international organization, or any person acting in an official capacity for or on behalf of such government or any candidate for public office or representative of a political party.

"Governmental Authority" means any: (i) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature, (ii) federal, state, local, municipal, foreign or other government or (iii) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, or entity and any court or other tribunal).

"Imputed Price Per Unit" has the meaning set forth in Section 4.2(b).

"Initial Negotiation End Date" has the meaning set forth in Section 15.11(b)(i).

"Intercompany Agreement" means any of the agreements listed on Schedule 8.1(f) and any other agreements between PG&E and the Company in connection with the consummation of the transactions contemplated by the Separation Agreement.

"Intercompany Transfers" has the meaning set forth in Section 8.1(d).

"Investor" has the meaning set forth in the Preamble to this Agreement.

"Investor 5% Member" means any Member (other than PG&E and its Related Parties) who, together with such Member's Related Parties, has an aggregate Company Percentage Interest greater than or equal to five percent (5.0%).

"Investor 20% Member" means any Member (other than PG&E and its Related Parties) who, together with such Member's Related Parties, has an aggregate Company Percentage Interest greater than or equal to twenty percent (20.0%).

"Investor 40% Member" means any Member (other than PG&E and its Related Parties) who, together with such Member's Related Parties, has an aggregate Company Percentage Interest greater than or equal to forty percent (40.0%).

"Investor Designee" has the meaning set forth in Section 7.1(b)(i).

"Investor Member" means any Member other than PG&E and its Related Parties.

"Investor Member Change of Control" means, with respect to an Investor Member, the consummation of any transaction or series of related transactions pursuant to which any "person" or "group" (as such terms are used in Section 13(d) and 14(d) of the Exchange Act) other than a Related Party of such Investor Member is or becomes the Beneficial Owner of fifty percent (50%) or more of the total voting power of the Investor Member; provided, however, that, with respect to an Investor Member that is (or whose ultimate parent is) a private equity fund, hedge fund or similar investment vehicle, neither the admission or withdrawal of the limited partners of such fund or investment vehicle nor the transfer or other disposition of equity interests by any limited partner in such fund or investment vehicle shall constitute an Investor Member Change of Control.

"Investor Representations" has the meaning set forth in Section 12.5(f).

"IRR" means, with respect to each Common Unit, as of the time of determination, an actual annual pre-tax return of the specified percentage, compounded annually, on $[__][9] and any Additional Capital Contribution attributable to such Common Unit (taking into account all distributions or other returns of capital received with respect to such Common Unit). IRR with respect to each Common Unit shall be calculated on a cash-in, cash-out basis (a) assuming (i) any Additional Capital Contribution in respect of such Unit was paid on the date it was funded as set forth on the Register of Members and (ii) all distributions in respect of such Common Unit

[9] Note to Draft: To equal the value ascribed to each Common Unit outstanding on the closing date, which will be the value of each Common Unit implied by the Purchase Price.

pursuant to Article V have been made on the date actually paid by the Company; and (b) using the XIRR function in the most recent version of Microsoft Excel (or, if such program is no longer available, such other software program for calculating IRR as reasonably determined by the Board). For purposes of calculating IRR, any Listed Securities shall be valued at their weighted average closing price on the stock exchange of such Listed Securities during the last thirty (30) trading days immediately preceding the date on which PG&E delivered the applicable Drag-Along Notice to the Investor(s).

"IRS" means the U.S. Internal Revenue Service and any successor thereto.

"JAMS" means JAMS, Inc. or its successor entity, a judicial arbitration and mediation service.

"Joint Venture" has the meaning set forth in Section 8.1(j).

"Law" means any applicable constitutional provision, statute, act, code (including the Code), law, regulation, rule, ordinance, order, decree, ruling, proclamation, resolution, judgment, decision, declaration, or interpretative or advisory opinion or letter ruling of a Governmental Authority and shall include, for the avoidance of any doubt, the Act.

"Liability" has the meaning set forth in Section 11.2(d).

"Lien" means any mortgage, deed of trust, pledge, lien (including any Tax lien), charge, claim, option, right of first refusal, equitable interest, security interest, third-party right, assignment, hypothecation, encumbrance, easement, right of way, title defect, encroachment, or other covenant, condition, agreement or arrangement that has the same or a similar effect to the granting of security or of any similar right of any kind (including any conditional sale or other title retention agreement).

"Liquidator" has the meaning set forth in Section 10.2(a).

"Listed Securities" means common shares of a publicly traded company with a market capitalization of at least one billion dollars ($1,000,000,000) and a free float of at least fifty percent (50%), such common shares being listed (or quoted, as the case may be) on the New York Stock Exchange, NASDAQ or another major stock exchange reasonably acceptable to the applicable Investor Member(s).

"Lockup Period" has the meaning set forth in Section 12.3.

"Major Decision" has the meaning set forth in Section 8.1.

"Manager" means a member of the Board.

"Member" means a Common Member or a Person holding another Class of Units issued hereunder.

"Member Nonrecourse Debt" has the meaning set forth with respect to the term "partner nonrecourse debt" in Treasury Regulations Section 1.704-2(b)(4).

"Member Nonrecourse Deductions" has the meaning set forth with respect to the term "partner nonrecourse deductions" in Treasury Regulations Section 1.704-2(i)(1) and 1.704-2(i)(2).

"Membership Interests" means the entire ownership interest of a Member in the Company, including any and all rights to vote and otherwise participate in the affairs of the Company, as applicable, and the rights to any and all benefits to which a Member may be entitled as provided in this Agreement, together with the obligations of such Member to comply with all of the terms and provisions of this Agreement.

"Minimum Gain Attributable to Member Nonrecourse Debt" means that amount with respect to each Member Nonrecourse Debt that is equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with the principles of Treasury Regulations Section 1.704-2(i)(3).

"Minority Sale Agreement" has the meaning set forth in the Recitals to this Agreement.

"MSA Losses" means "Losses" as defined in the applicable Minority Sale Agreement.

"Negotiation Representative" has the meaning set forth in Section 15.11(b)(i).

"New Third-Party Investment" has the meaning set forth in Section 4.3(b).

"New Units" has the meaning set forth in Section 4.1(c).

"Non-Contributing Member" has the meaning set forth in Section 4.2(e).

"Non-Defaulting Member Purchase Right" has the meaning set forth in Section 12.10(a).

"Non-Defaulting Member Purchase Right Notice Period" has the meaning set forth in Section 12.10(a).

"Non-Defaulting Members" has the meaning set forth in Section 12.10(a).

"Non-Selling Member" has the meaning set forth in Section 12.4(a).

"Nonrecourse Deduction" has the meaning set forth in Treasury Regulations Sections 1.704-2(b)(1) and 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Treasury Regulations Section 1.704-2(b)(3).

"Offer Notice" has the meaning set forth in Section 12.4(a).

"Offer Period" has the meaning set forth in Section 12.4(a).

"Offered Units" has the meaning set forth in Section 12.4(a).

"Organizational Documents" means, with respect to any corporation, partnership, limited liability company or other entity, the certificate of incorporation, bylaws, limited liability company agreement, operating agreement, memorandum of association or equivalent or similar organizational documents of such entity.

"Other Related Party" means any of PG&E's Related Parties other than the Company or its Subsidiaries.

"Partnership Representative" has the meaning set forth in Section 9.5(a).

"Person" means any natural person, corporation, limited partnership, general partnership, limited liability company, joint stock company, joint venture, association, company, estate, trust, bank trust company, land trust, business trust, or other organization, whether or not a legal entity, custodian, trustee-executor, administrator, nominee or entity in a representative capacity, and any government or agency or political subdivision thereof.

"PG&E" has the meaning set forth in the Preamble to this Agreement.

"PG&E Change of Control" means the consummation of any transaction or series of related transactions pursuant to which PG&E Corp no longer directly or indirectly Controls PG&E (or its successor or transferee); provided, however, that a PG&E Corp Change of Control shall not constitute a PG&E Change of Control.

"PG&E Corp" means PG&E Corporation, a California corporation.

"PG&E Corp Change of Control" means the consummation of any transaction or series of related transactions (as a result of a tender offer, share exchange, merger, business combination, reorganization, consolidation or otherwise) that results, or would if consummated result, in (x) the shareholders of PG&E Corp as of immediately prior to the consummation of such transaction ceasing to be the Beneficial Owners, directly or indirectly, of at least a majority of the issued and outstanding voting securities of PG&E Corp (or the continuing or surviving entity of such transaction) as of immediately following the consummation of such transaction or (y) any "person" or "group" (as such terms are used in Section 13(d) and 14(d) of the Exchange Act) becoming the Beneficial Owner of more than fifty percent (50%) of the issued and outstanding voting securities of PG&E Corp.

"PG&E Designee" has the meaning set forth in Section 7.1(b)(ii).

"PG&E Holders" means PG&E and any of its Related Parties that own Units.

"PG&E Seller" has the meaning set forth in Section 12.6(a).

"Pledged Transfer" means any Transfer of Units, directly or indirectly, as a result of the exercise of any right of possession, power of sale, foreclosure or any other enforcement action or remedy taken or exercised in respect of any Relevant Pledge (it being agreed that any

such right of possession, power of sale, foreclosure or other enforcement action taken with respect to such Pledged Units shall be subject to Section 12.10).

"Pledged Units" has the meaning set forth in the definition of "Relevant Pledge."

"Pledging Member" has the meaning set forth in the definition of "Relevant Pledge."

"Profits" and "Losses" means, for each Fiscal Year or part thereof, the Company's taxable income or loss for such year or other relevant period determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss) with the following adjustments:

(i) any income of the Company that is exempt from federal income tax and any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as such pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i) and that is not otherwise taken into account in computing "Profits" and "Losses" pursuant to this definition shall be added to, or subtracted from, as the case may be, such taxable income or loss;

(ii) Depreciation for such Fiscal Year or other relevant period shall be taken into account in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss;

(iii) gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed with reference to the Carrying Value of the property disposed of, rather than the adjusted tax basis of such property;

(iv) if any property is distributed in kind to any Member, the difference between its fair market value and its Carrying Value at the time of distribution shall be treated as Profit or Loss, as the case may be, recognized by the Company;

(v) to the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) of the Code is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining a Member's Capital Account as a result of a distribution other than in liquidation of a Member's interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses; and

(vi) the amount of any adjustment to the Carrying Value of any Company asset pursuant to clause (iii) of the definition of "Carrying Value" herein shall be taken into account as Profit or Loss from the disposition of such asset.

The amounts of the items of Company income, gain, loss or deduction available to be specifically allocated pursuant to Section 6.1(b) or Section 6.1(c) shall be determined by applying rules analogous to those set forth in paragraphs (i) through (vi) above.

"Prohibited Payment" means any offer, gift, payment, promise to pay, or authorization of the payment of any money or anything of value, directly or indirectly, to a Government Official for the purpose of either (i) influencing any act or decision of the Government Official in his or her official capacity, (ii) inducing the Government Official to do or omit to do any act in violation of his or her lawful duty, (iii) securing any improper advantage or (iv) inducing the Government Official to use his or her influence with a government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in order to assist in obtaining or retaining business or in directing business to any party.

"Prohibited Transaction" means any of the following: (i) receiving, transferring, transporting, retaining, using, structuring, diverting or hiding the proceeds of any criminal activity whatsoever, including drug trafficking, fraud or bribery of a Government Official, (ii) engaging or becoming involved in, financing, supporting financially or otherwise, sponsoring, facilitating, or giving aid to any terrorist person, activity or organization or (iii) participating in any transaction or otherwise conducting business with any Person that appears on any list issued by a United States or European Union governmental authority, the World Bank or the United Nations with respect to money laundering, terrorism financing, drug trafficking or economic or arms embargoes.

"Prohibited Transferee" means (i) any Person that appears on any list issued by a United States, Canadian or European Union governmental authority, the World Bank or the United Nations with respect to money laundering, terrorism financing, drug trafficking, or economic or arms embargoes, (ii) any Person who within the last five (5) years has been held liable by, or entered into a formal settlement agreement with, a United States, Canadian or European Union governmental authority for violations of anti-bribery, money laundering, terrorism financing or drug trafficking laws, or for criminal violations of economic or arms embargo laws or (iii) any Person for which the true Beneficial Owner of the Person is not known or identifiable and is not reasonably apparent.

"Proportionate Contribution Entitlement" has the meaning set forth in Section 4.2(b).

"Purchase Amount" has the meaning set forth in Section 12.10(a).

"Purchasing Member" has the meaning set forth in Section 12.10(a).

"Referee" has the meaning set forth in Section 11.2(f).

"Referral Date" has the meaning set forth in Section 15.11(b)(i).

"Register of Members" means the register of Members of the Company (attached as Schedule A hereto, as amended from time to time to reflect changes in equity ownership of the Company), which register is conclusive as to the equity ownership in the Company.

"Regulatory Allocations" has the meaning set forth in Section 6.1(c).

"Regulatory Approval Period" means, with respect to any proposed Transfer of Units or issuance of New Units, the period beginning on the date a definitive agreement is executed with respect to such Transfer or issuance and ending on the date that is one (1) year thereafter; provided, however, that in each case, such period shall be extended up to two (2) additional ninety (90)-day periods (and in the case of a Transfer that would result in the PG&E Holders no longer holding an aggregate Company Percentage Interest of at least fifty and one-tenth percent (50.1%) or a Transfer pursuant to a PG&E Change of Control, such period shall be extended for one (1) or more one hundred eighty (180)-day periods) so long as the parties to the proposed Transfer or issuance have used and continue to use their reasonable best efforts to obtain any required regulatory approvals, but such approvals have not been obtained.

"Rejection Notice" has the meaning set forth in Section 12.4(b).

"Related Party" means, with respect to any Person or group of Persons, a Person that directly, or indirectly through one (1) or more intermediaries, Controls, is Controlled by, or is under common Control with such Person or group of Persons. Notwithstanding the foregoing, for purposes of this Agreement, (a) none of the Members nor their Related Parties, by virtue of being a member of the Company or a party, shall be considered a Related Party of the other Member or the other Member's Related Parties and (b) no Investor Member, by virtue of being a member of the Company or a party, shall be considered a Related Party of the Company or any of its Subsidiaries.

"Related Party Transaction" has the meaning set forth in Section 8.1(f).

"Relevant Pledge" means any charge, mortgage or pledge with respect to which the exercise or taking of any right of possession, power of sale, foreclosure or other enforcement action or remedy would result in a Transfer of Units of a Member (such Member, the "Pledging Member," such Units, the "Pledged Units" and the obligations secured by the Relevant Pledge, the "Secured Debt").

"Representatives" means, with respect to any Person, such Person's shareholders or members, and its and their respective officers, directors, managers, employees, accountants, consultants, legal counsel, financial advisors, current and prospective financing sources and other representatives and agents.

"Residual Contribution Amount" has the meaning set forth in Section 4.2(e).

"Residual Exercise Notice" has the meaning set forth in Section 4.2(f).

"Residual Exercise Period" has the meaning set forth in Section 4.2(f).

"ROFO Notice" has the meaning set forth in Section 12.4(a).

"RWI Generation Business Losses" has the meaning set forth in Section 14.3(a).

"RWI Policy" has the meaning set forth in the applicable Minority Sale Agreement.

"Secured Debt" has the meaning set forth in the definition of "Relevant Pledge."

"Securities Act" means the Securities Act of 1933.

"Selling Member" has the meaning set forth in Section 12.4(a).

"Separation Agreement" has the meaning set forth in the Recitals to this Agreement.

"Separation Agreement Loss" means any material "Loss" (as such term is defined in the Separation Agreement).

"Subsidiary" means, with respect to the Company, any Person of which more than fifty percent (50%) of the total voting equity interests (including partnership and joint venture interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or other similar Persons), or the ability to elect a majority of the directors, managers or trustees thereof (or other similar Persons), is at the time owned or Controlled, directly or indirectly, by the Company.

"Superior Offer" has the meaning set forth in Section 12.4(c).

"Tag-Along Election Notice" has the meaning set forth in Section 12.6(c).

"Tag-Along Investor" has the meaning set forth in Section 12.6(c).

"Tag-Along Offer Notice" has the meaning set forth in Section 12.6(b).

"Tag-Along Offer Period" has the meaning set forth in Section 12.6(c).

"Tag-Along Right" has the meaning set forth in Section 12.6(a).

"Tag-Along Sale" has the meaning set forth in Section 12.6(a).

"Tax" or "Taxes" means all taxes, including all charges, fees, duties, levies or other assessments in the nature of taxes, imposed by any governmental authority, including income, gross receipts, excise, property, sales, gain, use, license, transfer, environmental, production, custom duty, unemployment, corporation, capital stock, franchise, payroll, withholding, social security, minimum, estimated, ad valorem, profit, gift, severance, value added, disability, recapture, occupancy, retaliatory or reciprocal, guaranty fund assessments, credit, occupation, leasing, employment, stamp, goods and services, utility and other taxes, including any interest, penalties or additions attributable thereto.

"Tax-Exempt Entity" means an entity that is (a) a "tax-exempt entity" or "tax-exempt controlled entity" as those terms are defined in Section 168(h) of the Code, (b) any other Person whose ownership of a Membership Interest would result in a recapture or disallowance of, or inability to claim, accelerated depreciation deductions under Section 168 of the Code or (c) a Person that is for U.S. federal income tax purposes an entity disregarded as separate from its owner or a partnership a direct or indirect owner of a beneficial interest in which is a Person

described in clause (a) or (b) above, unless such Person holds such interest for U.S. federal income tax purposes solely through an entity taxable as a "C corporation," as defined in Section 1361(a)(2) of the Code, other than a "C corporation" that is a "tax-exempt controlled entity" within the meaning of Section 168(h) of the Code (other than a "tax-exempt controlled entity" with respect to which an election under Section 168(h)(6)(F)(ii) of the Code has been validly made and is in effect).

"Tax Proceeding" means any audit, examination, contest, litigation or other proceeding with respect to Taxes.

"Tax Return" means any return, declaration, report, claim for refund, form, or information return or statement relating to Taxes, including any such document prepared on a consolidated, combined or unitary basis, and also including any schedule or attachment thereto, and including any amendment thereof.

"Third Party" means any Person other than a Related Party of a Member.

"Third-Party Investor" has the meaning set forth in Section 4.3(a).

"Third-Party Purchaser" has the meaning set forth in Section 12.4(a).

"Total Capital Call Amount" has the meaning set forth in Section 4.2(b).

"Transfer" means any direct or indirect sale, exchange, transfer, lease, license, foreclosure or other disposal or similar transaction, whether voluntary, involuntary or by operation of law, whether or not for value. The term "Transferred" has its correlative meaning.

"Treasury Regulations" means the regulations promulgated under the Code, as such regulations may be amended from time to time.

"Units" means, as applicable, (i) Common Units or (ii) any other units representing any other Class of Membership Interests created by the Board pursuant to Section 3.3.

"Wholly Successful" has the meaning set forth in Section 11.2(e).

EXHIBIT B
DISTRIBUTION POLICY

A. The Company intends to make distributions to its Members in an aggregate annual amount targeted to be between [__]% and [__]% of the GAAP consolidated net income of the Company (treating Tax Distributions (as described below) as a Company expense) in respect of each fiscal year, to be paid in cash on a quarterly basis ("Operating Distributions"); provided, however, that in determining such Operating Distributions, and acting in the reasonable best interests of the Company with respect thereto, the Board may, but shall not be required to, take into account such factors as it deems relevant, including without limitation: (i) the profitability of the Company, (ii) the adequacy of projected cash flows, (iii) projected capital and other expenditure requirements, (iv) projected expenses of the Company, (v) the ability of the Company to access equity capital to meet its needs (including from existing Members), (vi) regulatory and legal requirements, (vii) the terms of any agreements providing for the Company's debt financing and (viii) the adequacy of reserves and working capital.

B. Subject to applicable regulatory and legal requirements, the Company also intends to make distributions ("Tax Distributions") in cash on a quarterly basis in an aggregate amount (which shall not be less than zero) equal to (i) the product of (a) the estimated amount of positive taxable income of the Company as if it were a corporation for federal and California income tax purposes for the relevant year through the relevant quarter (if any) and (b) the Presumed Tax Rate, *minus* (ii) all Tax Distributions previously made by the Company with respect to prior quarters of the relevant year (if any). For these purposes, "Presumed Tax Rate" means the combined federal and California income tax rate that would apply to the Company if it were a corporation for federal and California income tax purposes, taking into account the federal income tax deduction for state and local income taxes. Tax Distributions will be (I) made at least in advance of the date a corporation must pay estimated tax to the Internal Revenue Service or other applicable taxing authority with respect to the relevant quarter, and (II) calculated without regard to any tax attributes of particular Members. In determining such Tax Distributions, and acting in the reasonable best interests of the Company with respect thereto, the Board may, but shall not be required to, take into account the terms of any agreements providing for the Company's debt financing.

C. All distributions by the Company shall be made to the Members pro rata in proportion to their respective Company Percentage Interests.

D. Subject to Section 8.1(n), the Board at any time may amend the Distribution Policy.

E. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to any Member on account of its Company Percentage Interest if such distribution would violate the Act or other applicable Law.

SCHEDULE A
REGISTER OF MEMBERS AS OF [__], 202[__]

Name & Address	Number of Common Units Issued and Issue Date	Company Percentage Interest
Pacific Gas and Electric Company 300 Lakeside Drive Oakland, CA 94612 Attention: [__] Email: [__]	[__]	[__]%
[New Holdco] 300 Lakeside Drive Oakland, CA 94612 Attention: [__] Email: [__]	[__]	1.0%
[Investor Entity] [__] Attention: [__] Email: [__]	[__]	[__]%
[Investor Entity] [__] Attention: [__] Email: [__]	[__]	[__]%

SCHEDULE B
CAPITAL ACCOUNT BALANCES

Member	Capital Account Balance
Pacific Gas and Electric Company	$[__]
[New Holdco]	$[__]
[Investor Entity]	$[__]
[Investor Entity]	$[__]

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 5

ATTACHMENT B

FORM OF MINORITY SALE AGREEMENT

ATTACHMENT B

Draft as of September 28, 2022

MINORITY SALE AGREEMENT

by and among

PACIFIC GAS AND ELECTRIC COMPANY,

PACIFIC GENERATION LLC,

and

[INVESTOR]

Dated as of [__], 2023

[DRAFT FOR DISCUSSION PURPOSES ONLY. CIRCULATION OF THIS DRAFT SHALL NOT GIVE RISE TO ANY DUTY TO NEGOTIATE OR CREATE OR IMPLY ANY OTHER LEGAL OBLIGATION. NO LEGAL OBLIGATION OF ANY KIND WILL ARISE UNLESS AND UNTIL A DEFINITIVE WRITTEN AGREEMENT IS SIGNED AND DELIVERED BY ALL PARTIES.]

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MINORITY SALE AGREEMENT

THIS MINORITY SALE AGREEMENT (including all schedules and exhibits attached hereto, this "Agreement"), dated as of [__], 2023 (the "Agreement Date"), is entered into by and among Pacific Gas and Electric Company, a California corporation ("Seller"), Pacific Generation LLC, a Delaware limited liability company ("Pacific Generation"), and [Investor Entity], a [__] ("Investor") (Seller, Pacific Generation and Investor being sometimes hereinafter referred to individually as a "Party" and together as the "Parties"), with reference to the following:

RECITALS

WHEREAS, Seller, directly or indirectly, owns one hundred percent (100%) of the issued and outstanding common units of Pacific Generation (the "Pacific Generation Common Units");

WHEREAS, (a) two (2) days prior to the Closing (as defined below), Seller intends to contribute to Pacific Generation the Pacific Generation Assets (as defined below), and Pacific Generation intends to assume the Generation Liabilities (as such term is defined in the Separation Agreement), and to otherwise effectuate the Separation Closing (as defined below) pursuant to a Separation Agreement between Seller and Pacific Generation, expected to be dated two (2) days prior to the Closing Date (as defined below) substantially in the form attached hereto as Exhibit A (the "Separation Agreement," and the transactions described in this clause (a), the "Separation") and (b) one (1) day prior to the Closing, Seller intends to contribute one percent (1%) of the Pacific Generation Common Units to [New Holdco], a Delaware limited liability company and wholly owned subsidiary of Seller ("New Holdco," and the transactions described in this clause (b), the "Contribution");

WHEREAS, on the terms and subject to the conditions set forth herein, Seller wishes to sell to Investor, and Investor wishes to purchase from Seller, Pacific Generation Common Units (the "Acquired Pacific Generation Interests") representing [__] percent ([__]%) of the outstanding Pacific Generation Common Units (the "Aggregate Percentage");

WHEREAS, contemporaneously with the Closing, Seller, Investor, New Holdco, Pacific Generation [and any Other Investors (as defined below) thereto] will enter into an Amended and Restated Limited Liability Company Agreement of Pacific Generation substantially in the form attached hereto as Exhibit B (the "A&R LLC Agreement") to memorialize their mutual agreements and understandings relating to the ownership, management and operation of Pacific Generation; and

[WHEREAS, concurrently with the execution of this Agreement, [Investor Parent], a [__] ("Investor Parent"), Seller and Pacific Generation have entered into a Guarantee Agreement (the "Investor Parent Guarantee") pursuant to which Investor Parent will guarantee certain obligations of Investor under this Agreement.][1]

[1] Note to Draft: If the acquiring entity is not creditworthy, an affiliate of such entity will provide a guarantee or other credit support to backstop the obligations of the Investor under the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements in this Agreement and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement the following terms have the meanings set forth or referenced below:

"A&R LLC Agreement" has the meaning given in the Recitals.

"Acquired Pacific Generation Interests" has the meaning given in the Recitals.

"Action" means any notice, charge, assertion, appeal, action, demand, citation, summons, litigation, suit, proceeding, hearing or arbitration by or before any Governmental Authority or any validly constituted arbitral panel or similar body, of any nature, criminal, civil, administrative, regulatory, investigative or otherwise, and whether at law or in equity.

"Aggregate Percentage" has the meaning given in the Recitals.

"Agreement" has the meaning given in the Preamble.

"Agreement Date" has the meaning given in the Preamble.

"Ancillary Agreements" means the agreements, instruments and certificates to be executed and delivered by a Party at or prior to a Closing in connection with this Agreement, but not including the A&R LLC Agreement, the Separation Agreement, the Intercompany Agreements [or the Investor Parent Guarantee].

"Audit Opinion" means an opinion from an internationally recognized accounting firm as to the audited balance sheets of the Pacific Generation Business as of December 31, 2020, December 31, 2021, and December 31, 2022, and the related statements of income, equity, and cash flows for each of the three (3) years in the period ended December 31, 2022, each as delivered at the time of such opinion.

"Balance Sheet Date" has the meaning given in Section 4.5(a).

"Burdensome Condition" means any term, condition, liability, obligation, commitment, sanction or undertaking (including any settlement, stipulation, operational restriction, hold separate order, divestiture or otherwise) imposed by a Governmental Authority as a condition to obtaining any Required Approval that would, individually or in the aggregate, (a) have or reasonably be expected to have a material adverse effect on Seller, Pacific Generation or the Pacific Generation Business or (b) be or reasonably expected to be material and adverse to the economic benefits of the transactions contemplated hereby to Seller or Pacific Generation (including providing a credit or refund through rates or charges in connection with the transactions contemplated hereby or ordering the sharing of the future periods proceeds received

by Seller from Investor pursuant to this Agreement); provided, however, that any order issued by FERC or the CPUC prior to the date of this Agreement in connection with the Separation, the formation of Pacific Generation by Seller, or the transactions contemplated by the Separation Agreement shall not be considered when determining whether a Burdensome Condition has occurred.

"Business Day" means any day other than a Saturday, a Sunday, or a day on which banks in San Francisco, California or New York, New York are authorized or required by Law to be closed.

"CAISO" means California Independent System Operator or any successor thereto.

"Carve-Out Financial Statements" has the meaning given in Section 4.5(a).

"CEC" means California Energy Commission or any successor agency thereto.

"CEC Approval" has the meaning given in Section 7.3(c).

["CFIUS" means the Committee on Foreign Investment in the United States and each member agency thereof acting in such capacity.][2]

["CFIUS Approval" means (a) written notification issued by CFIUS that it has determined that the issuance and sale of the Acquired Pacific Generation Interests is not a "covered transaction" pursuant to the CFIUS Statute; (b) Seller, Pacific Generation and Investor shall have received written notice from CFIUS that CFIUS has concluded all action under the CFIUS Statute with respect to the issuance and sale of the Acquired Pacific Generation Interests, and there are no unresolved national security concerns with respect to the issuance and sale of the Acquired Pacific Generation Interests; (c) Seller, Pacific Generation and Investor shall have received written notice from CFIUS that CFIUS is unable to complete action under the CFIUS Statute with respect to the issuance and sale of the Acquired Pacific Generation Interests and notified the parties that they may file a written notice; or (d) if CFIUS shall have sent a report to the President of the United States requesting the President's decision with respect to the issuance and sale of the Acquired Pacific Generation Interests, then either (i) the President shall have announced a decision not to take any action to suspend, prohibit or place any limitations on the issuance and sale of the Acquired Pacific Generation Interests or (ii) having received a report from CFIUS requesting the President's decision, the time permitted by the CFIUS Statute for such action shall have expired without any such action being announced or taken.]

["CFIUS Notice" means a notice with respect to the Transactions submitted to CFIUS by Seller, Pacific Generation and Investor pursuant to 31 C.F.R. Part 800 Subpart E.]

["CFIUS Statute" means Section 721 of Title VII of the Defense Production Act of 1950, as amended (50 U.S.C. § 4565), and all applicable rules and regulations issued and effective thereunder.]

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[2] Note to Draft: CFIUS provisions will be included only to the extent applicable to Investor.

["CFIUS Turndown" has the meaning given in Section 7.3(b)(iii).]

"Charter Documents" means, with respect to any Person, any corporate, partnership or limited liability company organizational documents, including certificates or articles of incorporation, bylaws, certificates of formation, operating agreements (including limited liability company agreements and agreements of limited partnership), certificates of limited partnership, partnership agreements, shareholder agreements, certificates of existence, member agreements or similar Contracts relating to the ownership or governance of such Person.

"Claim Notice" has the meaning given in Section 11.5.

"Closing" has the meaning given in Section 2.2(a).

"Closing Actions" has the meaning given in Section 2.2(d).

"Closing Date" has the meaning given in Section 2.2(a).

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

"Company Counsel" has the meaning set forth in Section 12.12.

"Confidentiality Agreement" means that certain Confidentiality Agreement, dated [__], between Seller and [__].

"Contract" means any agreement, contract, lease, settlement, consensual obligation, promissory note, evidence of indebtedness, purchase order, letter of credit, license, promise or undertaking of any nature (whether written or oral and whether express or implied), including letters of intent, executed term sheets and similar evidences of an agreement in principle, but excluding any "welfare" plan, fund or program (within the meaning of Section 3(1) of ERISA), any profit sharing, stock bonus or other "pension" plan, fund or program (within the meaning of Section 3(2) of ERISA) or other plan, program, policy agreement or other arrangement providing for retirement, compensation, severance, welfare or other employee benefits.

"Contribution" has the meaning given in the Recitals.

"Contribution Date" means the date the Contribution is made effective, which shall not be less than one (1) day prior to the Closing Date.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise. The term "Control" when used as a verb shall have a correlative meaning.

"COVID-19" means the coronavirus disease (COVID-19), caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), which was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020.

"COVID-19 Action" means a reasonable action taken (a) in response to the COVID-19 pandemic or (b) to comply with COVID-19 Measures applicable to the Pacific Generation Business, which actions are (i) reasonably consistent with (x) the actions taken by other similarly situated regulated utilities operating in the same region of the United States as the Pacific Generation Business (taking into account differences in COVID-19 Measures applicable to the Pacific Generation Business, on the one hand, and such other utilities, on the other hand) or (y) the past practices of Seller and its Subsidiaries with respect to the Pacific Generation Business in response to COVID-19 prior to the date of this Agreement and (ii) in compliance with applicable Law.

"COVID-19 Measures" means any quarantine, "shelter in place," "stay at home," workforce reduction, social distancing, shut down, closure, sequester, safety or other Law, decree, judgment, injunction or other order, directive, guideline or recommendation promulgated by any Governmental Authority in connection with or in response to COVID-19.

"CPUC" means the California Public Utilities Commission or any successor agency thereto.

"CPUC Approval" has the meaning given in Section 7.3(c).

"CPUC Decision" means the final decision by the CPUC in A.22-09-[__], the Application of Pacific Gas and Electric Company (U 39 M) and Pacific Generation for Approval to Transfer Certain Generation Assets, for a Certificate of Public Convenience and Necessity, for Authorization to File Tariffs and to Issue Debt, and for Related Determinations.

"Debt Documents" means all agreements, instruments, notes, indentures, financing statements, mortgages, pledges, deeds of trust, guarantees and other documents establishing, evidencing, securing, or otherwise relating to indebtedness, capital or finance leases, or other obligations for borrowed money or similar payment obligations of Pacific Generation, and any schedules, exhibits or annexes to the same, entered into, delivered or effective on or after the Separation Closing, provided the same are consistent with the capital structure authorized by the CPUC for Pacific Generation for ratemaking purposes.

"Draft Allocation" has the meaning given in Section 7.13.

"Emergency Situation" means an abnormal condition or situation that, in Seller's reasonable judgment, adversely affects, or potentially may adversely affect, the integrity of the electric, gas, or other systems of Seller or Pacific Generation, or the safety of workers or the public, or the property or facilities of others.

"Enforceability Exceptions" has the meaning given in Section 3.3.

"Equity Interests" means (i) capital stock, partnership or membership interests or units (whether general or limited), or any other securities or interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distribution of the assets of, the issuing entity or (ii) subscriptions, calls, warrants, options or commitments of any kind or character relating to, or entitling any Person or entity to acquire, or securities convertible into or exercisable or exchangeable for any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Exchange Act" means the Securities Exchange Act of 1934.

"FCC" means the Federal Communications Commission or any successor agency thereto.

"FCC Approval" has the meaning given in Section 7.3(d).

"FCC License" means a license or other authorization issued by the FCC to Seller or its Subsidiaries.

"FERC" means the Federal Energy Regulatory Commission or any successor agency thereto.

"FERC Approval" has the meaning given in Section 7.3(a).

"Final Allocation" has the meaning given in Section 7.13.

"Financial Statements" has the meaning given in Section 4.5(a).

"FPA" means the Federal Power Act.

"Fraud" means an actual and intentional misrepresentation of a material existing fact with respect to the making of any representation or warranty in Article III, Article IV, Article V or Article VI, made by the applicable Party, (a) with respect to Seller, to Seller's Knowledge or (b) with respect to Investor, to Investor's Knowledge, of its falsity and made for the purpose of inducing the other Party to act, and upon which the other Party justifiably relies with resulting Loss. For the avoidance of doubt, "Fraud" shall not include any claim for equitable fraud, promissory fraud or constructive fraud.

"Fundamental Representations" means the representations and warranties of Seller set forth in Sections 3.1, 3.2, 3.3, 3.7, 3.8, 3.9, 4.1, 4.2, 4.3 and 4.9.

"GAAP" has the meaning given in Section 4.5(b).

"Generation Business R&W" has the meaning given in Section 5.1.

"Governmental Authority" means any federal, national, regional, state, municipal or local government or special district, any political subdivision or any governmental, judicial, public, administrative, Tax, regulatory, arbitral, statutory or other instrumentality, tribunal, court, agency, authority, body, commission, bureau or entity having jurisdiction over the matter or Person in question or over any of the Pacific Generation Assets, including, as applicable, FERC, the CPUC, the CEC, the NERC, the SWRCB and CAISO.

"Indemnified Group" has the meaning given in Section 11.1(a).

"Indemnified Party" has the meaning given in Section 11.1(a).

"Indemnitor" has the meaning given in Section 11.1(a).

"Intercompany Agreements" means the "Intercompany Agreements" as such term is defined in the Separation Agreement.

"Interim Financial Statements" has the meaning given in Section 4.5(a).

"Investor" has the meaning given in the Preamble.

"Investor Material Adverse Effect" has the meaning given in Section 6.1.

["Investor Parent" has the meaning given in the Recitals.]

["Investor Parent Guarantee" has the meaning given in the Recitals.]

"Knowledge" means, with respect to each Party, the actual, current knowledge, or the knowledge that Person has after reasonable inquiry of their respective direct reports, of the Persons listed in Schedule [__] for each Party of any fact, circumstance or condition, irrespective of the group and title set forth in Schedule [__].

"Law" means any statute, law, ordinance, treaty, rule or regulation of a Governmental Authority.

"Liabilities" means any direct or indirect liability, indebtedness, obligation, guarantee, commitment, damage, penalty, fine, assessment, charge, loss, claim, demand, or expense, whether accrued, unaccrued, absolute, contingent, asserted, unasserted, matured, unmatured, liquidated, unliquidated, known or unknown, secured or unsecured of every kind and description, including all expenses related thereto.

"Lien" means any mortgage, deed of trust, pledge, lien (including any Tax lien), charge, claim, option, right of first refusal, equitable interest, security interest, third-party right, assignment, hypothecation, encumbrance, easement, right of way, title defect, encroachment, or other covenant, condition, agreement or arrangement that has the same or a similar effect to the granting of security or of any similar right of any kind (including any conditional sale or other title retention agreement).

"Lookback Date" means January 1, 2022.

"Loss" means, with respect to a Person, the amount of any loss, cost, expense, Tax, damage or liability, including interest, fines, reasonable legal and accounting fees, and expenses of a Person, taking into account, if applicable, whether and when all or a portion of such Loss is reasonably expected to be recovered through Pacific Generation's rates or to be covered by insurance proceeds.

"Material Adverse Effect" means any condition, circumstance, event or change that, individually or in the aggregate with any other such conditions, circumstances, events or changes, (a) with respect to Seller or Pacific Generation, has had or would reasonably be expected to have a material adverse effect on the ability of Seller or Pacific Generation to consummate the Transactions or to perform its obligations under this Agreement and (b) with respect to the Pacific Generation Business, has or would reasonably be expected to have a

material adverse effect on the business, assets, financial condition or results of operations of the Pacific Generation Business; provided, however, that a Material Adverse Effect shall not include any such condition, circumstance, event or change specifically disclosed in CPUC or FERC filings or the SEC Reports filed or furnished to the CPUC, FERC or SEC, as applicable, prior to the Agreement Date or in the schedules to this Agreement, or resulting from, relating to or arising out of (i) changes in economic or financial market conditions generally or in the industries in which the Pacific Generation Business operates, whether international, national, regional or local, (ii) changes in international, national, regional, state or local wholesale or retail markets (including market description or pricing) for, or changes in industry conventions, practices and structures impacting revenues for, energy, electricity, capacity, fuel supply, water, electricity storage, or ancillary services, including those due to actions by competitors, (iii) changes in general regulatory or political conditions, including any acts of war, civil unrest or terrorist activities (or similar activities), (iv) changes in international, national, regional or state electric transmission, distribution, generation or storage systems or facilities, including the operation or condition thereof, (v) any changes in the market price of commodities, including fuel and other consumables, (vi) effects of weather or meteorological events, including climate change, storms, earthquakes, tornados, floods, droughts, high winds or other natural disasters, (vii) changes or adverse conditions in the securities markets, including those relating to debt financing, interest rates or currency exchange rates, (viii) any change in Law or GAAP or regulatory policy (or any official interpretation or enforcement thereof) adopted by or approved by any Governmental Authority, (ix) the announcement, execution or delivery of this Agreement (or other similar agreements with Other Investors) or the consummation of the Transactions (or other similar transactions with Other Investors) or the transactions under the Separation Agreement, including (1) any action taken by Seller or Pacific Generation that is required, contemplated or permitted pursuant to this Agreement, or is consented to by Investor (or any action not taken as a result of a failure of Investor to consent as requested by Seller to an action requiring Investor's consent), or any action taken by Investor or any of its Related Parties to obtain any required consents or approvals from any Governmental Authority to the consummation of the Transactions, and, in each case, the result of any such actions, (2) any claim arising out of or related to this Agreement, (3) any change in supplier, employee, financing source, stockholder, regulatory, or similar relationships resulting therefrom or (4) any change that arises out of or relates to the identity of Investor or any of its Related Parties as party to this Agreement, (x) natural disasters or "acts of God" or other "force majeure" events, including pandemics (including the COVID-19 pandemic) or any escalation or worsening thereof, (xi) strikes, work stoppages or other labor disturbances or (xii) any changes that result from action or inaction by a Governmental Authority other than actions or inactions specifically related to the Transactions, the transactions under the Separation Agreement or any other agreements relating to investments in the Pacific Generation Business by Investor or any of its Related Parties; provided that the items set forth in clauses (iii), (iv), (v), (vi), (vii), (viii) or (x) above shall be taken into account in determining whether a Material Adverse Effect has occurred or would be reasonably expected to occur to the extent such items have a disproportionate effect on the Pacific Generation Business relative to other similarly situated participants in the industry and markets in which the Pacific Generation Business operates.

"Material Assigned Contract" means "Material Assigned Contract" as such term is defined in the Separation Agreement.

["MSA" means any agreement related to the sale of Pacific Generation Common Units that is substantially similar to this Agreement.]

"NERC" means the North American Electric Reliability Corporation.

"New Holdco" has the meaning given in the Recitals.

"Order" means any legally binding award, injunction, judgment, decree, order, ruling, subpoena, verdict or other decision (other than a Permit) issued, promulgated or entered by or with any Governmental Authority of competent jurisdiction, applicable to a Party or its business or properties, or the Transactions or the transactions under the Separation Agreement.

["Other Investor" means any Person (other than Investor) that has entered into an MSA.]

"Pacific Generation" has the meaning given in the Preamble.

"Pacific Generation Assets" means the "Generation Assets" as such term is defined in the Separation Agreement.

"Pacific Generation Business" means the "Generation Business" as such term is defined in the Separation Agreement.

"Pacific Generation Common Units" has the meaning given in the Recitals.

"Party" or "Parties" has the meaning given in the Preamble.

"Permit" means all licenses, permits, certificates of authority, certificates of occupancy, exemptions, variances, authorizations, approvals, certifications, registrations, franchises and similar consents granted by a Governmental Authority in connection with the ownership or operation of the Pacific Generation Business or the construction, ownership, use or occupancy of real property.

"Permitted Encumbrances" means (a) those restrictions on transfer imposed by securities Laws or the applicable Charter Documents, (b) Liens for Taxes that are not yet due and payable or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP or (c) with respect to the real property and any interests therein, (i) all Liens for mechanics', materialmen's, workmen's, repairmen's, warehousemen's, carriers' and similar Liens that are not yet due and payable or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with applicable Law and GAAP, (ii) all building codes, entitlement and zoning ordinances, land use, environmental and other applicable Laws heretofore, enacted, made or issued, in each case, that do not materially impair the current occupancy or use of the real property for its intended purpose, (iii) those exceptions to title set forth in any title policies of or with respect to the real property that have been made available to Investor, (iv) any matters that are disclosed by the surveys of the real property that have been made available to Investor, (v) any covenants, conditions, restrictions, easements, rights of way and similar matters affecting title to the real property and that have been filed in the public records prior to the Agreement Date and, in each case, that do not materially impair the current occupancy or use of the real

property and (vi) any rights of tenants under leases of any portions of the real property that do not materially impair the current occupancy or use thereof.

"Person" means any individual, sole proprietorship, company, corporation, partnership, joint venture, limited liability partnership, limited liability company, trust, joint stock company, association (whether incorporated or unincorporated), institution, Governmental Authority, organization, district or any other entity.

"PG&E Corp" means PG&E Corporation, a California corporation.

"Proceeding" has the meaning given in Section 12.8(b).

"PUHCA" means the Public Utility Holding Company Act of 2005.

"Purchase Price" means [__] dollars ($[__]).

"Related Party" means, with respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such first Person.

"Related Proceeding" has the meaning given in Section 12.8(e).

"Representatives" means each Party's respective officers, directors, members, partners, limited partners, managers, employees, representatives, agents, attorneys, accountants or advisors.

"Required Approvals" has the meaning given in Section 3.4.

"RWI Policy" has the meaning given in Section 6.14.

"SEC" means the United States Securities and Exchange Commission or any successor agency thereto.

"SEC Reports" means all forms, reports, schedules, statements and other documents required to be filed with or furnished to the SEC under the Exchange Act by Seller or PG&E Corp since the Lookback Date.

"Securities Act" has the meaning given in Section 6.11.

"Seller" has the meaning given in the Preamble.

"Separation" has the meaning given in the Recitals.

"Separation Agreement" has the meaning given in the Recitals.

"Separation Closing" means the "Closing" as defined in the Separation Agreement.

"Separation Closing Date" means the "Closing Date" as defined in the Separation Agreement.

"Subsidiary" means, with respect to any Person, any Person (other than a natural person) of which such first Person (either alone or through any other Subsidiary) owns, directly or indirectly, fifty percent (50%) or more of the stock or other equity voting or controlling interests, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such other Person.

"Survival Period" has the meaning given in Section 10.1.

"SWRCB" has the meaning given in Section 3.4.

"Tax" or "Taxes" means all taxes, including all charges, fees, duties, levies or other assessments in the nature of taxes, imposed by any Governmental Authority, including income, gross receipts, excise, property, sales, gain, use, license, transfer, environmental, production, custom duty, unemployment, corporation, capital stock, franchise, payroll, withholding, social security, minimum, estimated, ad valorem, profit, gift, severance, value added, disability, recapture, occupancy, retaliatory or reciprocal, guaranty fund assessments, credit, occupation, leasing, employment, stamp, goods and services, utility and other taxes, including any interest, penalties or additions attributable thereto.

"Tax Returns" means any return, declaration, report, claim for refund, form, or information return or statement relating to Taxes, including any such document prepared on a consolidated, combined or unitary basis, and also including any schedule or attachment thereto, and including any amendment thereof.

"Termination Date" has the meaning given in Section 9.1(b).

"Third-Party Claim" has the meaning given in Section 11.6(a).

"Transaction Documents" means, collectively, this Agreement, the Ancillary Agreements, the A&R LLC Agreement[, the Investor Parent Guarantee] and all other agreements between or among the Parties or their Related Parties entered into pursuant to the terms hereof in order to carry out the Closing Actions and the Transactions, but not including the Separation Agreement and the Intercompany Agreements.

"Transactions" means the sale of the Acquired Pacific Generation Interests by Seller to Investor and the purchase thereof by Investor from Seller and the other transactions contemplated by this Agreement or the other Transaction Documents. For the avoidance of doubt, "Transactions" shall not include the Separation.

"Transfer Taxes" means any and all transfer Taxes (excluding Taxes measured in whole or in part by net income), including sales, use, excise, goods and services, stock, conveyance, gross receipts, registration, business and occupation, securities transactions, real estate, land transfer, stamp, documentary, notarial, filing, recording, permit, license, authorization and similar Taxes, fees, duties, levies, customs, tariffs, imposts, assessments, obligations and charges.

"U.S." means United States of America.

"Willful Breach" means, with respect to any representation, warranty, agreement or covenant in this Agreement, a material breach caused by an intentional act or intentional omission (including an intentional failure to act to cure a breach) taken by a Party, where that Party knows that such intentional action or intentional omission would constitute a material breach of this Agreement.

ARTICLE II

SUMMARY OF SALE AND PURCHASE

Section 2.1 Sale and Purchase of Acquired Pacific Generation Interests.

(a) Sale and Purchase. Upon the terms and subject to conditions hereof, at the Closing, (i) Seller shall sell to Investor the Acquired Pacific Generation Interests, (ii) Investor shall purchase and acquire from Seller the Acquired Pacific Generation Interests and (iii) the Parties shall take or cause to be taken the Closing Actions applicable to the Closing.

(b) Purchase Price. The consideration for the purchase of the Acquired Pacific Generation Interests shall be an amount of cash equal to the Purchase Price. At the Closing, Investor shall pay the Purchase Price to Seller by wire transfer of immediately available funds to the account or accounts that Seller shall designate to Investor prior to the Closing Date.

Section 2.2 Closing.[3]

(a) Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement in connection with the issuance and sale of the Acquired Pacific Generation Interests (the "Closing") shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, located at 1440 New York Avenue, NW, Washington, DC, (or remotely via the electronic exchange of executed documents) at 10:00 a.m. (Pacific time) on the fifth (5th) Business Day immediately following the date on which the conditions to the Closing set forth in Article VIII have been satisfied or waived (other than (i) those conditions that by their nature are to be satisfied at the Closing and (ii) the condition to the Closing set forth in Section 8.1(d), which shall occur no less than two (2) days prior to the Closing), or at such other time, date and place as the Parties may mutually agree in writing (such date, the "Closing Date").

(b) On the Separation Closing Date, Seller, Pacific Generation and Investor (as applicable) shall take or cause to be taken the following actions:

(i) *Separation Agreement*. Seller shall deliver to Investor a copy of the duly executed Separation Agreement.

(ii) *Separation Closing Documents.* Seller shall deliver copies of material instruments reflecting the Separation Closing, in the forms attached to the

[3] Note to Draft: If there is more than one investor, the closing of the transactions will be cross-conditioned such that the closings will occur at the same time, unless waived by PG&E.

Separation Agreement, or otherwise in form and substance reasonably satisfactory to Investor.

(iii) *Intercompany Agreements*. Seller shall deliver to Investor copies of the executed Intercompany Agreements.

(iv) *Debt Documents*. Seller shall deliver to Investor copies of the material Debt Documents in effect for Pacific Generation.

(v) *Pre-Closing Officers' Certificates*. (A) Seller shall deliver to Investor a certificate executed by a duly authorized officer of Seller, dated as of the Separation Closing Date, certifying that the conditions set forth in Section 8.2(a), Section 8.2(b) and Section 8.2(d) would be satisfied if the Closing occurred on the Separation Closing Date and (B) Investor shall deliver to Seller a certificate executed by a duly authorized officer of Investor, dated as of the Separation Closing Date, certifying that the conditions set forth in Section 8.3(a) and Section 8.3(b) would be satisfied if the Closing occurred on the Separation Closing Date.

(c) On the Contribution Date, Seller shall take or cause to be taken the following actions:

(i) *Contribution*. Seller shall deliver to Investor a copy of the transfer documentation evidencing the transfer by Seller to New Holdco of Pacific Generation Common Units representing a one percent (1%) interest in the Pacific Generation Common Units.

(ii) *Admission of New Holdco*. Seller shall deliver to Investor a copy of a joinder to, or amendment of, Pacific Generation's limited liability company agreement admitting New Holdco as a member of Pacific Generation and a copy of the Register of Members (as defined in the A&R LLC Agreement) of Pacific Generation, reflecting the equity ownership of Pacific Generation as of such date after giving effect to the Contribution.

(d) At the Closing, Seller, Pacific Generation and Investor (as applicable) shall take or cause to be taken the following actions (the "Closing Actions"):

(i) *Payment of Purchase Price*. Investor shall pay the Purchase Price to Seller, in accordance with the terms set forth in Section 2.1.

(ii) *Transfer of Acquired Pacific Generation Interests.* Seller shall execute and deliver to Investor, and Investor shall execute and deliver to Seller, a duly executed Assignment Agreement in the form attached as Exhibit C.

(iii) *A&R LLC Agreement*. Seller and Pacific Generation shall execute and deliver to Investor, and Investor shall execute and deliver to Seller and Pacific Generation, the A&R LLC Agreement.

(iv) *Officers' Certificates*. (A) Seller shall deliver to Investor a certificate executed by a duly authorized officer of Seller, dated as of the Closing Date, certifying that the conditions set forth in Section 8.2(a), Section 8.2(b) and Section 8.2(d) have been satisfied and (B) Investor shall deliver to Seller a certificate executed by a duly authorized officer of Investor, dated as of the Closing Date, certifying that the conditions set forth in Section 8.3(a) and Section 8.3(b) have been satisfied.

(v) *Foreign Person Status*. Seller shall deliver a statement to Investor validly executed by a duly authorized officer of Seller pursuant to Sections 1445(b)(2) and 1446(f)(2) of the Code, substantially in the form attached hereto as Exhibit D, certifying that Seller is not a "foreign person" for purposes of those sections.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as specifically disclosed in the schedules to this Agreement (each section of which qualifies the correspondingly numbered representation and warranty to the extent specified therein and such other representations and warranties to the extent a matter in such section is disclosed in such a way as to make its relevance to such other representation or warranty reasonably apparent), Seller represents and warrants to Investor as follows:

Section 3.1 Organization. Seller has been duly organized or created, is validly existing and is in good standing under the Laws of the State of California. Seller is qualified to do business in and is in good standing (with respect to jurisdictions that recognize the concept of good standing) in all jurisdictions where the failure to qualify would reasonably be likely to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.2 Authority and Power. Seller has the requisite power and authority to enter into each of the Transaction Documents to which it is a party, consummate each of the transactions and undertakings contemplated thereby, and perform all of the terms and conditions thereof to be performed by Seller. The execution, delivery and performance of each of the Transaction Documents to which Seller is a party and the consummation of each of the transactions and undertakings contemplated thereby have been duly authorized by all requisite action on the part of Seller under its Charter Documents.

Section 3.3 Valid and Binding Obligations. Each of the Transaction Documents to which Seller is a party has been duly and validly executed and delivered by Seller and, assuming the due and valid execution and delivery of the Transaction Documents by the other parties thereto, is enforceable against Seller in accordance with the terms thereof, except as such enforceability may be limited or denied by (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights and the enforcement of debtors' obligations generally and (b) general principles of equity, regardless of whether enforcement is pursuant to a proceeding in equity or at law (clauses (a) and (b), the "Enforceability Exceptions").

Section 3.4 Governmental Approvals and Consents. Except for (a) FERC Approval and filings related thereto, (b) CPUC Approval and filings related thereto, (c) [CFIUS Approval and filings related thereto], (d) FCC Approval and filings related thereto, [and (e) CEC Approval and filings related thereto] (clauses (a), (b)[, (c)] and (d), the "Required Approvals"), ([f]) notice to the State Water Resources Control Board, Division of Water Rights (the "SWRCB") and ([g]) such other filings, consents or approvals which, if not made or obtained, would not be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect, Seller is not required to give any notice to, make any filing with, or obtain any consent or approval from any Governmental Authority to execute, deliver or perform any of the Transaction Documents to which it is a party or to consummate the Transactions.

Section 3.5 No Violations. The execution, delivery and performance by Seller of each of the Transaction Documents to which it is a party does not, and the consummation of the transactions contemplated thereby will not: (a) violate the Charter Documents of Seller; (b) violate or be in conflict with, or constitute a breach or default (or any event that, with or without due notice or lapse of time, or both, would constitute a default) under, any material Contract to which Seller is a party; (c) subject to obtaining the Required Approvals, violate any Law or Order applicable to Seller or the Pacific Generation Business; (d) materially adversely affect any Permit that is issued with respect to the Pacific Generation Business and is necessary to carry on the Pacific Generation Business; or (e) result in the creation or imposition of any Lien on the Pacific Generation Assets (other than Permitted Encumbrances), other than, with respect to clauses (b) through (e), any such conflicts, violations, defaults or imposition of Liens that would not be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.6 No Litigation. There is no Action pending to which Seller is a party (and, to Seller's Knowledge, there is no Action threatened in writing against Seller) that would reasonably be likely to, individually or in the aggregate, interfere with, prevent or materially delay the ability of Seller to enter into and perform its obligations under this Agreement or consummate the Transactions, other than with respect to proceedings related to the Required Approvals. For the avoidance of doubt, Seller does not represent or warrant as to the absence of submissions by Persons (other than the Seller and its Related Parties) to a Governmental Authority opposing the issuance of the Required Approvals, in whole or in part, and/or recommending the imposition of conditions on the issuance of such Required Approvals.

Section 3.7 Equity Interests.

(a) Schedule 3.7(a) sets forth both the ownership structure of Pacific Generation as of the date hereof and as of immediately prior to the Closing (reflecting the Separation and the Contribution). Seller owns, holds of record and is the beneficial owner of the Pacific Generation Common Units shown as being owned by it on Schedule 3.7(a) free and clear of all Liens, restrictions on the transfer of the Acquired Pacific Generation Interests to Investor or other encumbrances.

(b) No Persons other than Seller, Investor (pursuant to the Transaction Documents)[, Other Investors (pursuant to the transactions contemplated by the MSAs)], and following the Contribution, New Holdco own or have any interest in, or option or other right

(contingent or otherwise), including any right of first refusal or right of first offer, to acquire any Pacific Generation Common Units. Except pursuant to the Transaction Documents, there is no (i) voting trust or agreement, membership agreement, pledge agreement, buy-sell agreement, right of first refusal, preemptive right, stock appreciation right, redemption or repurchase right, anti-dilutive right or proxy relating to the Pacific Generation Common Units, (ii) Contract restricting the transfer of, or requiring the registration for sale of, the Acquired Pacific Generation Interests to Investor or (iii) option, warrant, call, right or other Contract to issue, deliver, grant, convert, exchange, sell, subscribe for, purchase, redeem or acquire any of the Pacific Generation Common Units from Seller (and, following the Contribution, from New Holdco) or agreement to enter into any Contract with respect thereto.

(c) Upon consummation of the sale of the Acquired Pacific Generation Interests by Seller to Investor, Investor will hold good and valid title to all of the Acquired Pacific Generation Interests free and clear of any and all Liens other than those created pursuant to agreements to which Investor or any of its Related Parties is a party. After giving effect to the applicable Transactions, the Acquired Pacific Generation Interests acquired at the Closing will constitute the Aggregate Percentage of Pacific Generation Common Units issued and outstanding immediately after the Closing.

Section 3.8 No Prior Activities. Pacific Generation was organized for the purpose of the Transactions and the transactions under the Separation Agreement, and since its formation has been engaged solely in activities contemplated by this Agreement, including the Separation and ownership of the Pacific Generation Assets and, following the date hereof and prior to the Closing, as contemplated by the Debt Documents.

Section 3.9 No Brokers. Other than Barclays Capital Inc., neither Seller nor its Related Parties has any liability or obligation to pay fees or commissions to any broker, finder or agent with respect to the Transactions.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER REGARDING PACIFIC GENERATION

Except as specifically disclosed in the schedules to this Agreement (each section of which qualifies the correspondingly numbered representation and warranty to the extent specified therein and such other representations and warranties to the extent a matter in such section is disclosed in such a way as to make its relevance to such other representation or warranty reasonably apparent), Seller represents and warrants to Investor with respect to Pacific Generation as follows:

Section 4.1 Organization of Pacific Generation. Pacific Generation has been duly organized or created, is validly existing and is in good standing under the Laws of the State of Delaware. Pacific Generation is qualified to do business in all jurisdictions where the failure to qualify would reasonably be likely to have, individually or in the aggregate, a Material Adverse Effect.

Section 4.2 Authority and Power. Pacific Generation has the requisite power and authority to enter into each of the Transaction Documents to which it is a party, consummate each of the transactions and undertakings contemplated thereby, and perform all of the terms and conditions thereof to be performed by Pacific Generation. The execution, delivery and performance of each of the Transaction Documents to which Pacific Generation is a party and the consummation of each of the transactions and undertakings contemplated thereby have been duly authorized by all requisite action on the part of Pacific Generation under its Charter Documents.

Section 4.3 Valid and Binding Obligations. Each of the Transaction Documents to which Pacific Generation is a party has been duly and validly executed and delivered by Pacific Generation and, assuming the due and valid execution and delivery of the Transaction Documents by the other parties thereto, is enforceable against Pacific Generation in accordance with the terms thereof, except as such enforceability may be limited or denied by the Enforceability Exceptions.

Section 4.4 No Violations. The execution, delivery and performance by Pacific Generation of each of the Transaction Documents to which it is a party does not, and the consummation of the transactions contemplated thereby will not: (a) violate any Charter Document of Pacific Generation; (b) violate or be in conflict with, or constitute a material default (or any event that, with or without due notice or lapse of time, or both, would constitute a material default) under, or cause or permit the acceleration of the maturity of, or give rise to any right of termination, cancellation, imposition of fees or penalties under, any Material Assigned Contract; (c) subject to obtaining the Required Approvals, violate any Law or Order applicable to Pacific Generation or the Pacific Generation Business; (d) materially adversely affect any Permit that is issued with respect to the Pacific Generation Business and is necessary to carry on the Pacific Generation Business; or (e) result in the creation or imposition of any Lien on any of the Pacific Generation Assets (other than Permitted Encumbrances), other than, with respect to clauses (b) through (e), any such conflicts, violations, defaults or imposition of Liens that would not be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect.

Section 4.5 Financial Statements.

(a) Seller has made available to Investor true and complete copies of the (i) unaudited balance sheets of the Pacific Generation Business as of December 31, 2020, December 31, 2021, and December 31, 2022, and the related statements of income, equity, and cash flows for each of the three (3) years in the period ended December 31, 2022 (the "Carve-Out Financial Statements") and (ii) the unaudited balance sheet of the Pacific Generation Business for the [__]-month period ended as of [__] (such date, the "Balance Sheet Date"), and the related unaudited statements of income, equity, and cash flows for the [__]-month period ended as of the Balance Sheet Date (the "Interim Financial Statements," and together with the Carve-Out Financial Statements, the "Financial Statements"), which are set forth in Schedule 4.5(a).

(b) The Financial Statements (including the notes thereto) have been derived from Seller's historical financial statements and prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods

involved ("GAAP"), except as may be otherwise specified in the Financial Statements or the notes thereto and except that the Interim Financial Statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Pacific Generation Business as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of the Interim Financial Statements, to normal year-end audit adjustments.

(c) Seller maintains a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting related to the Pacific Generation Business. Seller (i) maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to ensure that material information required to be disclosed by Seller related to the Pacific Generation Business in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure and (ii) has disclosed to the Pacific Generation Business's auditors (A) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect the ability to record, process, summarize and report financial information related to the Pacific Generation Business and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal controls over financial reporting.

Section 4.6 Absence of Certain Changes. Since the Balance Sheet Date through the Agreement Date, (a) the Pacific Generation Business has been conducted in all material respects in the ordinary course of business and (b) there has not occurred a Material Adverse Effect.

Section 4.7 Tax Matters.

(a) Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (i) all Tax Returns required to be filed by Pacific Generation or with respect to the Pacific Generation Assets have been timely filed (taking into account extensions), all such Tax Returns are correct and complete and all Taxes required to be paid by Pacific Generation or with respect to the Pacific Generation Assets (whether or not shown as due on such Tax Returns) have been timely paid, (ii) there are no audits, claims or assessments regarding Taxes pending or, to Seller's Knowledge, threatened against Pacific Generation or the Pacific Generation Assets, (iii) neither Pacific Generation nor the Pacific Generation Assets have been subject to any claim made in writing by any Governmental Authority in a jurisdiction where Pacific Generation does not file a Tax Return or Tax Returns with respect to the Pacific Generation Assets have not been filed, as applicable, to the effect that Pacific Generation or the Pacific Generation Assets, as applicable, may be subject to material Taxes in that jurisdiction, (iv) Pacific Generation is not a party to and is not bound by any Tax allocation, sharing or indemnity agreements or arrangements other than agreements or arrangements entered into in the ordinary course of business and (v) Pacific Generation has never been a member of a consolidated group filing for federal or state income Tax purposes.

(b) Pacific Generation is, and has been since its date of formation, properly treated as a disregarded entity or partnership for U.S. federal income Tax purposes.

Section 4.8 Energy Regulatory Status. At Closing, Pacific Generation will be an "electrical corporation" owning "electric plant" and a "public utility," in each case, as such terms are defined in the California Public Utilities Code and the FPA (as applicable). At Closing, Pacific Generation will be subject to regulation by the CPUC and FERC. Pacific Generation is not a "holding company" under the PUHCA and is not regulated as a public utility by any state other than the State of California.

Section 4.9 No Brokers. Pacific Generation has no liability or obligation to pay fees or commissions to any broker, finder or agent with respect to the Transactions.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER REGARDING THE PACIFIC GENERATION BUSINESS

Section 5.1 Representations and Warranties in Separation Agreement. Seller hereby makes each of the representations and warranties to Investor that are set forth in Section 4.5 (*Compliance with Law*), Section 4.6 (*No Litigation*), Section 4.7 (*Permits*), Section 4.8 (*Water Rights*), Section 4.9 (*Real Property*), Section 4.10 (*Title and Condition; Sufficiency of Assets*), Section 4.11 (*Material Assigned Contracts*), Section 4.12 (*Insurance*), Section 4.13 (*Employees and Employee Benefit Plans; Labor*), Section 4.14 (*Environmental Matters*), Section 4.15 (*Data Privacy; Cybersecurity*) and Section 4.17 (*Intellectual Property*) of the Separation Agreement (the "Generation Business R&W").

Section 5.2 Exclusivity of Representations. The representations and warranties made by Seller with respect to itself, Pacific Generation, the Pacific Generation Business and the Pacific Generation Assets in this Agreement are in lieu of and are exclusive of all other representations and warranties, including any implied warranties of merchantability, suitability or fitness for any particular purpose or any other implied warranty. Seller hereby disclaims any such other or implied representations or warranties, notwithstanding the delivery or disclosure to Investor or its Representatives of any documentation or other information (including any pro forma financial information, supplemental data or financial projections or other forward-looking statements).

ARTICLE VI

REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS OF INVESTOR

Except as disclosed in the schedules to this Agreement (each section of which qualifies the correspondingly numbered representation and warranty to the extent specified therein and such other representations and warranties to the extent a matter in such section is disclosed in such a way as to make its relevance to such other representation or warranty reasonably apparent), Investor represents and warrants to Seller as follows:

Section 6.1 Organization. Investor is a [__] duly organized or created, validly existing and in good standing under the Laws of [the State of] [__]. Investor is qualified to do business in all jurisdictions where the failure to qualify would be reasonably likely to materially and adversely affect the ability of Investor to perform its obligations under the Transaction Documents or to consummate the Transactions (an "Investor Material Adverse Effect").

Section 6.2 Authority and Power. Investor has the requisite power and authority to enter into each of the Transaction Documents to which it is a party, consummate each of the transactions and undertakings contemplated thereby, and perform all the terms and conditions thereof to be performed by it. The execution, delivery and performance of each of the Transaction Documents to which Investor is a party and the consummation of each of the transactions and undertakings contemplated thereby have been duly authorized by all requisite action on the part of Investor under its Charter Documents.

Section 6.3 Valid and Binding Obligations. Each of the Transaction Documents to which Investor is a party has been duly and validly executed and delivered by Investor, and, assuming the due and valid execution and delivery of such Transaction Documents by the other parties thereto, is enforceable against Investor in accordance with the terms thereof, except as such enforceability may be limited or denied by the Enforceability Exceptions.

Section 6.4 Governmental Approvals and Consents. Except for (a) the Required Approvals, (b) notice to the SWRCB and (c) such other filings, consents or approvals which, if not made or obtained, would not reasonably be likely, individually or in the aggregate, to have an Investor Material Adverse Effect, Investor is not required to give any notice, make any filing, or obtain any consent or approval from any Governmental Authority to execute, deliver or perform any of the Transaction Documents to which it is a party or to consummate the transactions contemplated thereby.

Section 6.5 No Violations. The execution, delivery and performance by Investor of each of the Transaction Documents to which it is a party does not, and the consummation of the transactions contemplated thereby will not (a) violate the Charter Documents of Investor, (b) violate or be in conflict with, or constitute a default (or any event that, with or without due notice or lapse of time, or both, would constitute a default) under, any Contract to which Investor is a party or by which any of Investor's properties or assets are or may be bound or (c) subject to obtaining the Required Approvals, violate any applicable Law or Order, other than, with respect to clauses (b) and (c), any such conflicts, violations or defaults that would not reasonably be likely, individually or in the aggregate, to have an Investor Material Adverse Effect.

Section 6.6 No Litigation. There is no Action pending to which Investor is a party (and, to Investor's Knowledge, there is no Action threatened in writing or orally against Investor), in any such case at law or in equity, that would reasonably be likely, individually or in the aggregate, to have an Investor Material Adverse Effect.

Section 6.7 Bankruptcy. Investor has not filed a petition seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law relating to bankruptcy or insolvency, and no such petition has been filed against

Investor. No general assignment of Investor's property has been made for the benefit of creditors, and no receiver, master, liquidator or trustee has been appointed for Investor.

Section 6.8 Brokers. Investor has no liability or obligation to pay fees or commissions to any broker, finder or agent with respect to the Transactions.

Section 6.9 Regulatory Status. Neither Investor nor any "affiliate" of Investor as defined in 18 C.F.R. §35.43 is a "public utility" as defined in the FPA, a "public-utility company" as defined in the PUHCA, or subject to the jurisdiction of the CPUC.

Section 6.10 Financing; Source of Funds. Investor has (and Investor will have as of the Closing Date) immediately available to it sufficient unrestricted funds and credit capacity to consummate the Transactions and to satisfy all of Investor's obligations under this Agreement as of the Closing Date, including the payment of the Purchase Price at the Closing, and all related fees and expenses. No funds to be paid to Seller by Investor will have been derived from, or constitute, either directly or indirectly, the proceeds of any criminal activity under the anti-money laundering laws of the United States.

Section 6.11 Investment Intent. Investor acknowledges that neither the offer nor the sale of the Acquired Pacific Generation Interests has been registered under the U.S. Securities Act of 1933 (the "Securities Act"), or under any state or foreign securities Laws. Investor is acquiring the Acquired Pacific Generation Interests for its own account for investment, without a view to, or for a resale in connection with, the distribution thereof in violation of the Securities Act or any applicable state or foreign securities Laws and with no present intention of distributing or reselling any part thereof. Investor will not so distribute or resell any of the Acquired Pacific Generation Interests in violation of any such laws.

Section 6.12 Prohibited Transactions. Neither the acquisition by Investor nor the holding by Investor of the Acquired Pacific Generation Interests will result in a non-exempt prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code.

Section 6.13 Tax Status. Investor is a "United States person" within the meaning of Section 7701(a)(30) of the Code. Investor's acquisition of the Acquired Pacific Generation Interests will not result in any Pacific Generation Assets becoming "tax-exempt use property" within the meaning of Section 168(h) of the Code.

Section 6.14 RWI Policy. Investor has provided Seller with a copy of the buyer-side representation and warranty insurance policy, which provides coverage on reasonable terms for the benefit of Investor or its designee as the named insured for breaches of any of the representations and warranties of Seller set forth in Article III, Article IV and Article V that result in any Losses to Investor (the "RWI Policy") that was bound concurrently with the execution of this Agreement.

Section 6.15 Independent Investigation; No Other Representation and Warranties.

(a) Investor has conducted its own independent investigation, review and analysis of, and reached its own independent conclusions regarding, the Pacific Generation Assets and the Pacific Generation Business and its operations, assets, condition (financial or

otherwise) and prospects. Investor acknowledges that it and its Representatives have been provided adequate access to the personnel, properties, premises, records and other documents and information of and relating to the Pacific Generation Business and the Pacific Generation Assets for such purpose. Investor has been represented by, and had the assistance of, counsel in the conduct of its due diligence, the preparation and negotiation of this Agreement and the other Transaction Documents, and the consummation of the Transactions. In entering into this Agreement, Investor acknowledges that it has relied solely upon its own investigation, review and analysis and has not relied on and is not relying on any representation, warranty, opinion, projection, forecast, statement, memorandum, presentation, advice, information or other statement made or provided by, on behalf of or relating to Seller, Seller's Related Parties or the Pacific Generation Business except for the representations and warranties expressly set forth in Article III, Article IV and Article V (as modified by the Seller Disclosure Schedules).

(b) Investor acknowledges and agrees that (i) other than the representations and warranties expressly set forth in Article III, Article IV and Article V, none of Seller, any of Seller's Related Parties or any other Person has made or makes any representation or warranty, written or oral, express or implied, at law or in equity, with respect to the Pacific Generation Business or the Pacific Generation Assets, including any representation or warranty as to (A) merchantability or fitness for a particular use or purpose, (B) the operation or probable success or profitability of the Pacific Generation Business following the Closing or (C) the accuracy or completeness of any information (including any projections or forecasts) regarding the Pacific Generation Business made available to Investor and its Representatives in connection with this Agreement or their investigation of the Pacific Generation Business and (ii) Investor shall have no right or remedy (and Seller will have no liability whatsoever) arising out of, and Investor expressly disclaims any reliance upon, any representation, warranty, opinion, projection, forecast, statement, memorandum, presentation, advice, information or other statement made or provided by, on behalf of or relating to Seller, any of Seller's Related Parties, the Pacific Generation Business or the Pacific Generation Assets, including in any materials, documentation or other information regarding the Pacific Generation Business made available to Investor or any of its Representatives in connection with this Agreement or their investigation of the Pacific Generation Business (including information memoranda, data room materials, projections, estimates, management presentations, budgets, financial data and reports and the Debt Documents), or any errors therein or omissions therefrom, other than the representations and warranties expressly set forth in Article III, Article IV and Article V (as modified by the Seller Disclosure Schedules).

ARTICLE VII

COVENANTS

Section 7.1 Interim Operations of the Pacific Generation Business after Signing.[4]

(a) From the Agreement Date until the earlier of the termination of this Agreement or the Closing, except (i) as required or expressly permitted by this Agreement, any Ancillary Agreement, the Separation Agreement, any Intercompany Agreement or any Debt

[4] Note to Draft: To be revised if there are different closings for multiple investors.

Documents, (ii) as set forth in Schedule 7.1, (iii) as required by applicable Law or Order, (iv) any COVID-19 Action or (v) with the prior written consent of Investor (which consent shall not be unreasonably withheld, delayed or conditioned), Seller shall use commercially reasonable efforts to conduct the Pacific Generation Business in the ordinary course of business, and to preserve, maintain and protect in all material respects the Pacific Generation Business and the Pacific Generation Assets, in each case, in compliance in all material respects with applicable Laws and material Permits and the Material Assigned Contracts; provided, however, that no action by Seller or Pacific Generation with respect to matters specifically addressed by any provision of Section 7.1(b) shall be deemed a breach of this Section 7.1(a) unless such action would constitute a breach of such provision of Section 7.1(b).

(b) Without limiting the foregoing, from the Agreement Date until the earlier of the termination of this Agreement or the Closing, except (v) as required or expressly permitted by this Agreement, any Ancillary Agreement, the Separation Agreement, any Intercompany Agreement or the Debt Documents, (w) as set forth in Schedule 7.1, (x) as required by applicable Law or Order, (y) any COVID-19 Action or (z) with the prior written consent of Investor (which consent shall not be unreasonably withheld, delayed or conditioned):

(i) Pacific Generation shall not (and Seller shall cause Pacific Generation not to) redeem, purchase or otherwise acquire any Equity Interest of any Person or any securities or obligations convertible into or exchangeable for any Equity Interest of any Person, or any options, warrants or conversion or other rights to acquire any Equity Interest in any Person or any such securities or obligations, or any other securities thereof;

(ii) Pacific Generation shall not (and Seller shall cause Pacific Generation not to) fail to maintain Pacific Generation's existence or merge or consolidate with any other Person or acquire all or substantially all of the assets of any other Person or enter into any joint venture, partnership or similar venture with any other Person (except for the formation of a Subsidiary of Pacific Generation);

(iii) Pacific Generation shall not (and Seller shall cause Pacific Generation not to) split, combine, reclassify or modify any Pacific Generation Common Units or create or issue any new Pacific Generation Common Units, unless pursuant to the Transactions or the Separation;

(iv) Seller shall not (and following the Separation, Pacific Generation shall not) sell, transfer, remove, assign, convey or otherwise dispose of any Pacific Generation Assets other than in the ordinary course of business; provided that for the avoidance of doubt, any distribution of proceeds of indebtedness concurrently with or following the Separation shall not be deemed a violation of this Section 7.1(b)(iv);

(v) Seller shall not liquidate, dissolve, declare bankruptcy, reorganize or otherwise wind up Pacific Generation or the Pacific Generation Business;

(vi) Pacific Generation shall not (and Seller shall cause Pacific Generation not to) amend or modify the Charter Documents of Pacific Generation, other

than (w) ministerial amendments, (x) to reflect a change in the name of Pacific Generation or to implement a board of managers of Pacific Generation, (y) to reflect the Contribution and any amendments to facilitate the entry into the Debt Documents, including the naming of officers and (z) in connection with the Closing, amending and restating the limited liability company agreement of Pacific Generation in the form of the A&R LLC Agreement; or

(vii) Seller and Pacific Generation shall not, as applicable, agree or commit to do any of the foregoing matters prohibited by this clause (b);

provided, however, that in the event that Seller or Pacific Generation would be prohibited from taking any action by reason of this Section 7.1(b) without the prior written consent of Investor, such action may nevertheless be taken without such consent if Seller requests Investor's written consent, provides Investor with information reasonably requested by Investor to evaluate such action, and Investor fails to respond in writing to such request within five (5) Business Days after the later of (1) the date of such request and (2) the date all such reasonably requested information has been provided to Investor.

(c) Notwithstanding anything to the contrary in this Agreement, (except with respect to COVID-19 Actions, which are addressed in Section 7.1(a)), Seller may, from the Agreement Date until the earlier of the termination of this Agreement and the Closing, take reasonable actions in connection with the Pacific Generation Assets or the Pacific Generation Business as are necessary to respond to any Emergency Situation or to comply with applicable Law; provided, however, that Seller shall thereafter provide Investor with reasonably prompt (and, to the extent reasonably practicable, prior) written notice of any such actions to the extent Seller would not be permitted to take such actions pursuant to Sections 7.1(a) and 7.1(b).

Section 7.2 Expenses; Transfer Taxes.

(a) Expenses. Except as otherwise provided in any other provision of this Agreement or as set forth in Schedule 7.2(a), all costs and expenses incurred in connection with this Agreement, the Transaction Documents and the Transactions shall be paid by the Party incurring such costs and expenses. The allocation between Seller and Investor of the costs and expenses incurred in connection with the transactions contemplated by the Debt Documents are set forth in Schedule 7.2(a).

(b) Transfer Taxes. Notwithstanding anything to the contrary in this Agreement, Pacific Generation shall bear all Transfer Taxes arising out of or incurred in connection with the Transactions and the transactions under the Separation Agreement. The Party required by applicable Law to pay any such Transfer Taxes shall pay or cause to be paid such Transfer Taxes (and, to the extent necessary, Pacific Generation shall reimburse such paying Party, consistent with the foregoing sentence), and the Party required by applicable Law to file any Tax Returns required to be filed with respect to any such Transfer Taxes, at Pacific Generation's expense, shall file or cause to be filed such Tax Returns. The Parties shall reasonably cooperate in connection with the preparation and filing of any Tax Returns required to be filed with respect to any such Transfer Taxes.

Section 7.3 Regulatory Matters.

(a) FERC. As soon as practical following the execution of this Agreement but in no event later than twenty (20) Business Days from the Agreement Date, Seller and Investor will submit a joint application to the FERC pursuant to Section 203 of the FPA seeking FERC approval for the Transactions (the "FERC Approval"). Each Party shall cooperate with each other in the preparation and filing of such application to obtain the FERC Approval, and shall consider and incorporate in such filings all reasonable comments, if any, submitted by the other Party with respect thereto. The Parties shall use reasonable best efforts to obtain the FERC Approval at the earliest possible date after the date of filing. Each Party will bear its own costs of the preparation and prosecution of any such filing to obtain the FERC Approval. Until the earlier of the termination of this Agreement or the Closing, neither Investor nor any of its "affiliates" as defined in 18 C.F.R. §35.43 shall take any action, including acquiring, or entering into any contract to acquire direct or indirect control over an electric generation facility or its output or a public utility operating, in each case, in the CAISO market, if such action would reasonably be expected to materially impair or delay the consummation of the Transactions for any reason or result in the failure to satisfy any condition to the consummation of the Transactions.

(b) [CFIUS.[5]

(i) Each Party shall cooperate and use reasonable best efforts to do, or cause to be done, all things necessary to obtain CFIUS Approval. Such reasonable best efforts shall include: (A) as promptly as practicable after the date of this Agreement, but in no event later than twenty (20) Business Days from the Agreement Date (or such other date as the parties may mutually agree), preparing and filing, or causing to be filed, a draft CFIUS Notice; (B) as promptly as practicable after the resolution of all questions and comments received from CFIUS staff on the draft CFIUS Notice (or receipt of confirmation that the CFIUS staff have no such questions or comments), submitting the final CFIUS Notice to CFIUS pursuant to 31 C.F.R. Part 800 Subpart E; (C) providing any information requested by CFIUS or any other agency or branch of the U.S. government in connection with the CFIUS review, or investigation of the Transactions, within the time periods specified in the applicable regulations or otherwise specified by CFIUS staff; and (D) ensuring that any information furnished pursuant to the foregoing clauses (A) through (C) is true, correct and complete in all material respects.

(ii) Without limiting the generality of the foregoing, each Party shall, in connection with the efforts to obtain the CFIUS Approval, (A) cooperate in all respects and consult with each other in connection with the CFIUS Notice, including by allowing the other Parties a reasonable opportunity to review in advance and comment on drafts of filings and submissions and consider in good faith, the views of the other Parties in connection with, any proposed written communication to CFIUS pertaining to the substance of the CFIUS Notice or matters related to the CFIUS process; (B) promptly inform the other Parties of any communication received by such Parties from, or given by such Parties to, CFIUS, by promptly providing copies to the other Parties of any such

[5] Note to Draft: CFIUS provisions to be included to the extent applicable.

written communications, except for any exhibits to such communications providing personal identifying information and subject to redactions to preserve business confidential information; and (C) permit the other Parties to review in advance any communication that it gives to, and consult with one other in advance of any meeting, telephone call or conference with CFIUS, and to the extent not prohibited by CFIUS, give the other Parties the opportunity to attend and participate in any telephonic conferences or in-person meetings with CFIUS, in each of clauses (A), (B) and (C) of this Section 7.3(b)(ii) subject to confidentiality considerations contemplated by the CFIUS Statute or required by CFIUS.

(iii) Notwithstanding any other provision of this Agreement, if CFIUS notifies the Parties in writing that CFIUS (i) has completed its review or investigation or has determined that it requires no more time to review or investigate; and (ii) intends to send a report to the President recommending that the President act to suspend or prohibit the Transactions (a "CFIUS Turndown"), none of the Parties shall have any further obligation to seek CFIUS Approval, and any Party may in its discretion request withdrawal of the CFIUS Notice; provided that this right shall not be available to any Party whose material breach of any provision of this Agreement resulted in, or was a principal cause of, such CFIUS Turndown.]

(c) CPUC and CEC Filings. Seller and Pacific Generation shall use reasonable best efforts to prepare and file, or cause to be filed, as soon as practicable, but in no event later than [twenty (20)] Business Days from the later of the Agreement Date and the date of the CPUC Decision, except to the extent in conformity with the time period specified in the CPUC Decision, if any, (i) all necessary documentation seeking final confirmation and approval by the CPUC pursuant to the procedure specified in the CPUC Decision (the "CPUC Approval") and (ii) all necessary documentation seeking approval by the CEC of the change in ownership or operational control of the relevant licensed facilities included in the Pacific Generation Assets (the "CEC Approval"). Investor shall have the opportunity to review such filings seeking the CPUC Approval and the CEC Approval, and Seller shall reasonably consider any comments timely provided by Investor to such filings, if any.

(d) Other Regulatory Filings. Except as otherwise provided in Section 7.3(a)[, Section 7.3(b)] and Section 7.3(c), each Party shall cooperate and use reasonable best efforts to prepare and file, or cause to be filed, as soon as practicable, but in no event later than twenty (20) Business Days from the Agreement Date, (i) all necessary documentation seeking FCC approval for the transfer of control of any material FCC License from Seller to Pacific Generation in connection with the Transactions to the extent required (the "FCC Approval") and (ii) all necessary documentation, to effect all necessary applications, notices, petitions, filings and other documents, and to use reasonable best efforts to obtain all necessary permits, consents, approvals and authorizations of all Governmental Authorities necessary or advisable to consummate the Transactions as soon as reasonably practicable and in any event prior to the Termination Date, including all necessary notices to the SWRCB. Except as otherwise provided in Section 7.3(a)[, Section 7.3(b)] and Section 7.3(c), each Party shall have the right to review within a reasonable time in advance and to offer comments on any filing made after the Agreement Date and until the Termination Date by the other Party (or Related Parties of the other Party) with any Governmental Authority with respect to the Transactions

[(excluding, in the case of Seller and Pacific Generation, any portions of the same that include confidential or sensitive information of any Other Investor)]; provided, however, that, to the extent such filings contemplate confidential or sensitive information of a Party (or a Party's Related Parties), the Parties shall (subject to the limitations set forth in this Agreement), in good faith, cooperate to provide the necessary or requested confidential or sensitive information in such a manner as to reasonably protect the interests of the disclosing Party, including, at the discretion of the Party from whom such information is sought, by providing it subject to confidential treatment or a protective order, while not adversely affecting the timely consummation of the Transactions. In the event that any such approvals or consents are required, Investor and Seller agree to use their respective reasonable best efforts to obtain such consents and approvals as promptly as practicable after the date hereof.

(e) Burdensome Condition. Notwithstanding anything contained in this Agreement (including the obligations set forth in Section 7.3(a)[, Section 7.3(b),] Section 7.3(c) and Section 7.3(d)), neither Seller nor any of its Related Parties shall be required to, in connection with obtaining any Required Approvals, agree or consent to or accept any terms, conditions, liabilities, obligations, commitments, sanctions or undertakings (including settlements, stipulations, operational restrictions, hold separate orders, divestitures or otherwise) as a condition to obtaining any Required Approvals that would, individually or in the aggregate, constitute or reasonably be expected to constitute a Burdensome Condition.

(f) Communications with Governmental Authorities. Notwithstanding anything in this Section 7.3 or any other provision of this Agreement to the contrary, subject to applicable Law[, and except as it relates to obtaining the CFIUS Approval], Seller shall have primary responsibility for, and shall take the lead in, scheduling and conducting any meeting with any Governmental Authority or any intervenor in any proceeding relating to a Required Approval, coordinating and making any applications and filings with, and communicating with and resolving any investigation or other inquiry of, any agency or other Governmental Authority, and determining the strategy and timing for, and making all material decisions relating to, obtaining the Required Approvals and other approvals and confirmations from any Governmental Authority or other Person necessary, proper or advisable to consummate the Transactions; provided that[, other than with respect to CPUC Approval and [CEC Approval],] Seller agrees to consult with Investor reasonably in advance of taking any such action and consider in good faith Investor's views and recommendations with respect thereto.

(g) Copies and Notices. Except with respect to Taxes, [or, in the case of Seller and Pacific Generation, any portions of the following that contain confidential or sensitive information of any Other Investor,] (i) each Party shall promptly provide the other Party with copies of all filings made by such Party with any Governmental Authority in connection with this Agreement and the Transactions and (ii) the Parties shall keep each other apprised of the status of matters relating to the completion of the Transactions and the transactions under the Separation Agreement, including promptly furnishing the other Party with copies of any notices or other communications received by Seller or Investor, as the case may be, or any of their respective Related Parties, from any third party or any Governmental Authority with respect to the Transactions. Each Party shall promptly provide the other Party with notice of any change or event that would reasonably be expected to materially impair such Party's ability to perform its

obligations under or consummate the Transactions or the transactions under the Separation Agreement.

(h) Books and Records. Notwithstanding anything to the contrary in this Agreement, neither Seller nor Pacific Generation shall be required to provide to Investor any portion of any Tax Return (or any supporting work papers or other documentation related thereto) of Seller or any of its Related Parties, other than to the extent such information relates solely to Pacific Generation or its Subsidiaries.

Section 7.4 Further Assurances. From and after the Closing, each Party will, and, as applicable, will cause its Related Parties to, take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to render effective the consummation of the Transactions and the transactions under the Separation Agreement in accordance with the terms hereof, including executing such further documents, instruments, conveyances or assurances and taking such further actions as may be reasonably requested by another Party in order to render effective the consummation of the Transactions and the transactions under the Separation Agreement in accordance with the terms hereof.

Section 7.5 Announcements. The Parties shall use reasonable efforts to consult with each other prior to issuing, and give each other the opportunity to review and comment upon, any press releases or any other public announcements with respect to this Agreement or the Transactions and shall not issue any such press release or make any public announcement without the prior consent of the other Party, which consent shall not be unreasonably withheld, conditioned, or delayed, except as may be required by applicable Law or obligations under any listing agreement with or rules of any national securities exchange and except for such press releases or public announcements that refer to this Agreement or the Transactions by using statements that previously have been made publicly.

Section 7.6 Confidentiality. Investor and Seller each reaffirm and shall fulfill their obligations under the Confidentiality Agreement. For the avoidance of doubt, the Confidentiality Agreement shall continue in full force and effect regardless of any termination of this Agreement; provided, however, that, notwithstanding anything in the Confidentiality Agreement, Investor may disclose financial information concerning Pacific Generation or the Pacific Generation Business, including any financial models prepared in connection with the Transactions.

Section 7.7 Separation. Seller shall use reasonable best efforts to cause the Separation to occur no earlier than the satisfaction of the conditions set forth in Section 8.3(c) and, in any event, no later than as soon as reasonably practicable after the satisfaction (or waiver by the applicable Parties) of the conditions set forth in Section 8.1(a) to Section 8.1(c) and Section 8.3(c). Seller shall keep Investor reasonably informed regarding the process and status of the Separation.

Section 7.8 Minimum Liquidity. Seller shall cause Pacific Generation to have a sufficient amount of liquid assets comprised of cash or cash equivalents, marketable securities, or corporate lines of credit of not less than the amount contemplated by the Company Business Plan (as such term is defined in the A&R LLC Agreement) for the daily operation of the Pacific

Generation Business as of the Closing Date. Prior to the Closing, Seller shall deliver to Investor such documentation as may be appropriate or as reasonably requested by Investor evidencing the satisfaction of the foregoing obligation.

Section 7.9 Delayed Generation Assets; Delayed Generation Liabilities. In the event of any Delayed Generation Assets or Delayed Generation Liabilities (each as defined in the Separation Agreement) that have not been transferred by Seller to Pacific Generation pursuant to the Separation Agreement as of the Closing, Seller and Investor shall negotiate in good faith to agree to an appropriate adjustment to the Purchase Price, with the amount of any such adjustment to be paid no later than five (5) Business Days following the effective date of the transfer pursuant to Section [6.1(c)] of the Separation Agreement.

Section 7.10 RWI Policy.

(a) Investor shall satisfy the conditions to obtain the RWI Policy at or as soon as reasonably practicable after the Closing. Investor acknowledges and agrees that, except in the case of Fraud (and then only to the extent of such Fraud) or as otherwise contemplated by Article XI, its sole recourse in the event of any such inaccuracy or breaches of representations and warranties of Seller shall be making claims under the RWI Policy. The RWI Policy (at and any time following the Closing that the RWI Policy remains in effect) shall explicitly provide for the irrevocable waiver of any and all rights of subrogation or contribution the RWI Policy insurer might have against Seller or its Representatives in connection with this Agreement and the Transactions, other than in the case of Fraud, and then only to the extent of such Fraud, as provided under the terms of the RWI Policy. The RWI Policy shall explicitly provide that Seller and its Representatives are third-party beneficiaries of the foregoing waiver. Seller and its Representatives shall reasonably cooperate with reasonable requests from Investor and its Representatives with respect to Investor's procurement of the RWI Policy. Investor shall bear all costs and expenses related to the RWI Policy.

(b) Investor shall not amend or waive any provision of the RWI Policy in a manner adverse to Seller.

(c) Investor acknowledges that Seller has made the Generation Business R&W to Pacific Generation, as set forth in Article IV of the Separation Agreement. Investor further acknowledges that (i) pursuant to the Separation Agreement, Pacific Generation is entitled to recover from Seller any Losses (as such term is defined in the Separation Agreement) of Pacific Generation, resulting from or arising out of any misrepresentation, inaccuracy or breach of any Generation Business R&W set forth in the Separation Agreement; provided that Seller shall not be obligated to indemnify Pacific Generation for an amount in excess of the percentage interest of Seller in Pacific Generation as of immediately after the Closing if, and to the extent, the terms of the RWI Policy allow for recovery of the Loss to Investor with respect to a misrepresentation, inaccuracy or breach of the corresponding Generation Business R&W made to Investor pursuant to Article V and (ii) Investor's sole recourse for recovery of any Losses of Investor resulting from or arising out of any such misrepresentation, inaccuracy or breach of any Generation Business R&W set forth in Article V shall be the RWI Policy.

Section 7.11 Audit Opinion. Seller shall deliver to Investor the Audit Opinion within three (3) Business Days of the Audit Opinion being available to Seller, and in any event no later than five (5) Business Days before the Closing.

Section 7.12 Access to Information. Seller shall, and shall cause its Related Parties to, afford to Investor and its Representatives reasonable access, upon reasonable notice during normal business hours during the period before the Closing, to the personnel, properties, books, contracts, commitments, records and financial, operating and other data regarding the Pacific Generation Business and, during such period, shall furnish promptly to Investor any information concerning the Pacific Generation Business as Investor may reasonably request; provided that such access does not unreasonably interfere with the normal operations of Seller or any of its Related Parties. Nothing set forth in this Agreement shall require Seller to, or to cause any of its Related Parties to, (a) allow Investor or its Representatives to, and Investor and its Representatives shall not, conduct any environmental site assessment, compliance evaluation or investigation at any of the facilities or properties of the Pacific Generation Business (but the foregoing shall not preclude Investor from receiving any environmental information concerning the Pacific Generation Business as Investor may reasonably request), (b) provide Investor or its Representatives with any information regarding or including Seller's or its Related Party's businesses, assets, financial performance or condition or operations not involving the Pacific Generation Business or (c) provide access to or disclose information where such access or disclosure would jeopardize any attorney-client privilege otherwise applicable with respect to such information or contravene any Law or binding agreement with any party that is not a Related Party of Seller entered into prior to the date hereof by Seller providing such information; provided, however, that Seller shall use its reasonable efforts to provide such access and disclose such information in a manner that would not jeopardize such attorney-client privilege or violate such Law or agreement.

Section 7.13 Tax Allocation. Within one hundred eighty (180) days following the Closing, Seller shall prepare and deliver, or cause to be prepared and delivered, to Investor a draft schedule allocating in accordance with applicable U.S. federal income tax Law the aggregate purchase price payable by Investor for its Acquired Pacific Generation Interests pursuant to this Agreement among the Pacific Generation Assets (the "Draft Allocation"). If Investor does not notify Seller in writing of any objection to the Draft Allocation within thirty (30) days after delivery of the Draft Allocation, the Draft Allocation shall be deemed finally resolved for purposes of this Section 7.13. If, within thirty (30) days after the delivery of the Draft Allocation, Investor notifies Seller in writing that Investor objects to one or more items in the Draft Allocation, Seller and Investor shall negotiate in good faith to resolve such dispute. If Seller and Investor are unable to resolve such dispute within thirty (30) days after Investor provides a notice of objection, an independent nationally recognized accounting firm reasonably acceptable to Seller and Investor will resolve such dispute. Seller and Investor shall bear the costs of such accounting firm in resolving such dispute in a manner that is proportionate to such Persons' relative success in such resolution, as determined by such accounting firm. The Draft Allocation, as finally resolved pursuant to the terms of this Section 7.13 (the "Final Allocation"), will be final and binding on the Parties. The Final Allocation shall be updated to take into account any adjustments to the Purchase Price pursuant to Section 7.9 paid by Investor for its Acquired Pacific Generation Interests. Pacific Generation and the Parties and their Related Parties shall prepare and file all relevant Tax Returns on a basis consistent with the Final

Allocation and take no inconsistent position on any Tax Return, in any audit or similar proceeding related to Taxes before any Governmental Authority, or otherwise, except to the extent otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code (or any analogous provision of state or local Law).

ARTICLE VIII

CONDITIONS

Section 8.1 Conditions to Obligations of Investor, Seller and Pacific Generation. The obligations of Investor, Seller and Pacific Generation hereunder to consummate the Transactions are subject to the satisfaction, at or before the Closing, of the following conditions (all or any of which may be waived in whole or in part by mutual agreement of the Parties in their sole discretion):

(a) Orders. No temporary restraining order, preliminary or permanent injunction or other Order shall be in effect that enjoins, prohibits or otherwise prevents, or purports to enjoin, prohibit or otherwise prevent, the consummation of the Transactions or the transactions under the Separation Agreement;

(b) Laws. No Law shall have been enacted or shall be deemed applicable to the Transactions which makes the consummation of the Transactions illegal or prevents the Transactions from occurring;

(c) Litigation. No Action by or before any court or other Governmental Authority shall have been instituted or threatened in writing by any Governmental Authority that would reasonably be expected to prevent or prohibit the consummation of the Transactions; and

(d) Separation. The Separation Closing shall have occurred.

Section 8.2 Conditions to Obligations of Investor. The obligation of Investor hereunder to consummate the Transactions is subject to the satisfaction, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by Investor in its sole discretion):

(a) Representations and Warranties. (i) Each of the Fundamental Representations made by Seller in this Agreement qualified as to materiality shall be true and correct in all respects as of the Closing as if made on and as of the Closing (except to the extent such Fundamental Representations are expressly made as of a specific date, in which case such Fundamental Representations shall be true and correct in all respects as of such specific date only), (ii) each of the Fundamental Representations made by Seller in this Agreement not so qualified as to materiality shall be true and correct in all respects as of the Closing as if made on and as of the Closing except for such inaccuracies as are *de minimis* in nature and amount relative to such representation and warranty taken as a whole (except to the extent such Fundamental Representations are expressly made as of a specific date, in which case such Fundamental Representations shall be true and correct in all respects except for such inaccuracies as are *de minimis* in nature and amount relative to such Fundamental Representation as of such specific date only) and (iii) each of the other representations and warranties made by

Seller in this Agreement shall be true and correct as of the Separation Closing as if made on and as of the Separation Closing (except to the extent such representations and warranties are expressly made as of a specific date, in which case such representations and warranties shall be so true and correct as of such specific date only), except, to the extent that any and all failures of such representations and warranties to be so true and correct, taken as a whole, would not reasonably be expected to have a Material Adverse Effect; provided, however, that, for purposes of determining the satisfaction of the condition in clause (iii) no effect shall be given to any limitation or qualification as to materiality or Material Adverse Effect in such representations and warranties;

(b) Performance. Seller and Pacific Generation shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by it at or prior to the Closing;

(c) Regulatory Approvals. The Parties shall have obtained each of the Required Approvals;

(d) No Material Adverse Effect. Since the Agreement Date and until the Separation, no Material Adverse Effect shall have occurred and be continuing; and

(e) Deliveries at Closing. Each of Seller and Pacific Generation shall have executed and delivered (or caused to be executed and delivered) to Investor all agreements and other documents required to be executed and delivered by it to Investor pursuant to Section 2.2(b), Section 2.2(c) and Section 2.2(d) at or prior to the Closing.

Section 8.3 Conditions to Obligations of Seller and Pacific Generation. The obligation of Seller and Pacific Generation hereunder to consummate the Transactions is subject to the satisfaction, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by Seller in its sole discretion):

(a) Representations and Warranties. Each of the representations and warranties made by Investor in this Agreement shall be true and correct in all respects as of the Closing as if made on and as of the Closing, except, in each case, (i) to the extent that such representations and warranties refer specifically to an earlier date, in which case such representations and warranties shall have been true and correct in all respects as of such earlier date and (ii) to the extent that any and all failures of such representations and warranties to be so true and correct in all respects, taken as a whole, would not reasonably be expected to have an Investor Material Adverse Effect;

(b) Performance. Investor shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Investor at or prior to the Closing;

(c) Regulatory Approvals. The Parties shall have obtained each of the Required Approvals, in each case, without any Burdensome Condition; and

(d) Deliveries at Closing. Investor shall have executed and delivered (or caused to be executed and delivered) to Seller or Pacific Generation, as applicable, all

agreements and other documents required to be executed and delivered to Seller or Pacific Generation pursuant to Section 2.2(d) at or prior to the Closing, and Investor shall have made the payments required to be made by Investor at the Closing pursuant to Section 2.1.

ARTICLE IX

TERMINATION

Section 9.1 Termination. This Agreement may be terminated and the Transactions may be abandoned at any time upon ten (10) days written notice of such termination to the other Party:

(a) by mutual written consent of Investor and Seller;

(b) by Investor or Seller if the Closing has not occurred on or prior to the six (6)-month anniversary of the Agreement Date (the "Termination Date"); provided, however, that if the sole reason that the Closing has not occurred is that a Required Approval required by Section 8.2(c) or Section 8.3(c) has not been obtained on or prior to such date, such date may be extended by either Investor or Seller (without consent of the other Party) in three (3)-month increments for up to one (1) year after the Agreement Date (the end of each three (3)-month extension period shall then be the "Termination Date"); provided, further, that the right to terminate this Agreement under this Section 9.1(b) shall not be available to any Party whose breach of a representation, warranty, covenant or agreement under this Agreement has been the cause of, or resulted in the failure of, the Closing to occur on or before such date;

(c) by Investor prior to the Separation Closing if (i) Seller or Pacific Generation shall have breached or failed to perform any of the representations, warranties, covenants or agreements contained in this Agreement to be complied with by Seller or Pacific Generation, as applicable, such that any closing condition set forth in Section 8.2(a) or Section 8.2(b) could not be satisfied prior to the Termination Date or (ii) if such breach or failure is capable of being cured, it shall not have been cured within the earlier of (x) thirty (30) days following receipt by Seller of notice of such breach or failure from Investor and (y) the Termination Date;

(d) by Seller prior to the Separation Closing if (i) Investor shall have breached or failed to perform any of the representations, warranties, covenants or agreements contained in this Agreement to be complied with by Investor such that any closing condition set forth in Section 8.3(a) or Section 8.3(b) could not be satisfied prior to the Termination Date or (ii) if such breach or failure is capable of being cured, it shall not have been cured within the earlier of (x) thirty (30) days following receipt by Investor of notice of such breach or failure from Seller and (y) the Termination Date; or

(e) by Investor or Seller prior to the Closing if a Governmental Authority shall have issued an Order or instituted any Action, in either case, having the effect of restraining, enjoining or otherwise prohibiting, or attempting to restrain, enjoin or otherwise prohibit, the Transactions or the transactions under the Separation Agreement and such Order shall become final and non-appealable or such Action shall have become final and non-

appealable; provided that the right to terminate this Agreement under this Section 9.1(e) shall not be available to any Party whose breach of a representation, warranty, covenant or agreement under this Agreement has been the cause of, or resulted in the failure of, the Closing to occur on or before such date.

Section 9.2 Effect of Termination.

(a) If this Agreement is validly terminated pursuant to Section 9.1, this Agreement will forthwith become null and void, except that Section 7.2, Section 7.6, this Section 9.2 and Article XII will continue to apply following any termination, and there will be no Liability on the part of Seller, Pacific Generation or Investor (or any of their respective Representatives or Related Parties) in respect of this Agreement except as provided in this Section 9.2.

(b) Notwithstanding anything to the contrary in this Agreement, nothing in this Section 9.2 shall relieve a Party from Liability for any Willful Breach of, or Fraud in connection with, this Agreement occurring prior to such termination.

ARTICLE X

SURVIVAL

Section 10.1 Survival of Representations, Warranties, Covenants and Agreements. None of the representations and warranties of Seller and Investor contained in or made pursuant to this Agreement shall survive, and all such representations and warranties, including any claim related thereto, shall terminate automatically upon, the Closing. The covenants and agreements of Seller and Investor contained in or made pursuant to this Agreement shall terminate on the Closing Date, unless a specific covenant or agreement requires performance after the Closing Date, in which case such covenant or agreement shall survive for a period of thirty (30) days following the date on which the performance of such covenant or agreement is required to be completed (each of the foregoing, as applicable, the "Survival Period"). Any covenant or agreement in respect of which indemnity may be sought under this Agreement will survive the time at which it would otherwise terminate pursuant to this Section 10.1 if written notice of a claim for the breach of such covenant or agreement giving rise to such indemnity right has been given to the Party from whom such indemnification may be sought prior to the time such covenant or agreement would have expired.

ARTICLE XI

INDEMNIFICATION AND REMEDIES

Section 11.1 General.[6]

(a) Seller shall defend, indemnify and hold harmless Investor, and Investor shall defend, indemnify and hold harmless Seller (the applicable indemnifying party, the "Indemnitor"), including, in the case of each non-indemnifying Party, such Party's Related Parties and their respective Representatives, successors and assigns (each, an "Indemnified Party," with each Party and its respective group of Indemnified Parties being referred to collectively as an "Indemnified Group") from and against any Loss suffered or incurred by any Indemnified Party to the extent arising out of, or resulting from the breach or default by such Indemnitor (or its Related Party) of any covenant or agreement of such Indemnitor (or its Related Party) contained in this Agreement.

(b) This Section 11.1 shall not limit any claim or recovery available to Investor (or any additional insured) under the RWI Policy.

Section 11.2 Period for Making Claims. No claim under Section 11.1 may be made unless such Party shall have delivered a Claim Notice with respect to such claim for breach of a covenant or agreement prior to the expiration of the applicable Survival Period.

Section 11.3 Limitations on Indemnification. Each Party's liability under this Article XI shall be limited in the aggregate to the Purchase Price.

Section 11.4 Adjustments for Indemnity Payments. Except as otherwise required by Law, the Parties shall treat for all Tax purposes any indemnification payment made hereunder as an adjustment to the Purchase Price.

Section 11.5 Procedure for Indemnification with Respect to Direct Claims. Whenever any direct claim shall arise for indemnification under this Article XI, the Indemnified Party, after attaining knowledge of such claim, shall promptly notify the Indemnitor of the claim and, when known, the facts constituting the basis for such claim (such notice, a "Claim Notice"); provided, however, that the failure to provide such Claim Notice shall not release the Indemnitor from its obligations under this Article XI except to the extent that the Indemnitor has been actually prejudiced by such failure. If, within thirty (30) days after receiving a Claim Notice, the Indemnitor notifies the Indemnified Party that it does not contest such Claim Notice or the Indemnitor does not give written notice to the Indemnified Party that it contests such Claim Notice, then the amount of indemnity payable for such claim shall be as set forth in the Indemnified Party's Claim Notice. If the Indemnitor contests such indemnity, the Parties shall attempt in good faith to reach an agreement with regard thereto within thirty (30) days of delivery of the Indemnitor's notice objecting to the claim. If the Parties cannot reach agreement

[6] Note to Draft: Indemnification provisions may need to be updated if there are multiple investors, including if the closings will occur at different times. If there are multiple investors, they would be expected to work together to obtain parallel RWI policies.

within such thirty (30)-day period, the matter shall be resolved in accordance with the provisions of Section 12.8.

Section 11.6 Procedure for Indemnification with Respect to Third-Party Claims.

(a) Notice of Claim. If any legal proceedings shall be instituted or any claim or demand shall be asserted by any third party in respect of which indemnification may be sought by any Indemnified Party under this Article XI (each, a "Third-Party Claim"), such Indemnified Party shall, within ten (10) days of the actual receipt by a responsible officer of notice of the institution of such legal proceeding or such claim or demand, submit a Claim Notice to the Indemnitor, specifying the nature of such Third-Party Claim and the amount or the estimated amount thereof to the extent then determinable, which estimate shall not be binding upon the Indemnified Party; provided that the failure of an Indemnified Party to give timely notice shall not affect its rights to indemnification under this Article XI, except to the extent that the Indemnitor has been actually prejudiced by such failure. The Indemnitor shall notify the Indemnified Party as soon as reasonably practicable whether the Indemnitor disputes its liability to the Indemnified Party for such claim under this Article XI; provided that the failure of an Indemnitor to give timely notice shall not affect its rights under this Article XI, except to the extent that the Indemnified Party has been actually prejudiced by such failure.

(b) Conduct of Claim.

(i) Subject to Section 11.6(b)(ii):

(1) The Indemnitor shall have the right, at its option and at its own expense, to be represented by counsel of its choice and to participate in, or take control of, the defense, negotiation and/or settlement of such Third-Party Claim; provided that the Indemnified Party may participate in any such proceeding with counsel of its choice (which shall be at its own expense). The Indemnitor shall provide five (5) Business Days' advance written notice of any proposed settlement or compromise to the Indemnified Party, and the Indemnitor shall not, without the Indemnified Party's prior written consent (not to be unreasonably withheld, conditioned or delayed), compromise or settle any Third-Party Claim, nor execute or otherwise agree to any consent decree, that (I) provides for other than monetary payment or (II) does not include as an unconditional term thereof the giving of a release from all liability with respect to such Third-Party Claim by each claimant or plaintiff to each Indemnified Party that is or may reasonably be subject to the Third-Party Claim.

(2) If the Indemnitor elects not to defend or settle such Third-Party Claim, the Indemnified Party shall provide five (5) Business Days' advance written notice of any proposed settlement or compromise to the Indemnitor and shall act reasonably and in accordance with the Indemnified Party's good faith business judgment. Without the consent of the Indemnitor (not to be unreasonably withheld, conditioned or delayed), no Indemnified Party shall settle or compromise any Third-Party Claim for which the Indemnitor has acknowledged its liability under this Article XI.

(3) The Indemnitor and the Indemnified Party shall cooperate fully with each other in connection with the defense, negotiation or settlement of any Third-Party Claim.

(ii) Notwithstanding anything to the contrary in this Agreement, except as otherwise provided in the Transaction Documents, any proceeding, claim or demand that relates to Taxes payable by Pacific Generation, or with respect to Tax items allocated by Pacific Generation, shall be governed by the terms of the A&R LLC Agreement.

(c) Payment of Third-Party Claims. After a final non-appealable judgment or award shall have been rendered by a Governmental Authority of competent jurisdiction, or a settlement shall have been consummated, or the Indemnified Party and the Indemnitor shall have arrived at a mutually binding agreement with respect to each separate matter indemnified by the Indemnitor with respect to any Third-Party Claim, the Indemnified Party shall forward to the Indemnitor notice of any sums due and owing with respect to such Third-Party Claim at such time by the Indemnitor with respect to such matter, and such amount shall be paid within five (5) Business Days by the Indemnitor to the applicable Indemnified Party.

(d) Access to Information. If any Third-Party Claim is made against an Indemnified Party, the Indemnified Party shall use commercially reasonable efforts to make available to the Indemnitor those Representatives of the Indemnified Party whose assistance, testimony or presence is necessary to assist the Indemnitor in evaluating and in defending such claims; provided that any such access shall be conducted in such a manner as not to interfere unreasonably with the operations of the business of the Indemnified Party.

Section 11.7 Subrogation. Except with respect to Taxes, upon payment of a Loss by an Indemnitor to an Indemnified Party pursuant to this Article XI, such Indemnitor, without any further action, shall be subrogated to any and all claims that such Indemnified Party or any member of its Indemnified Group may have against third parties relating to such Loss, but only to the extent of the amount paid to such Indemnified Party or any member of its Indemnified Group by such Indemnitor in respect of such Loss, and such Indemnified Party and the members of its Indemnified Group shall use commercially reasonable efforts to cooperate with such Indemnitor, at the expense of such Indemnitor, in order to enable such Indemnitor to pursue such claims.

Section 11.8 Exclusive Remedy. Notwithstanding anything to the contrary which may be contained herein, the indemnities set forth in this Article XI shall become effective as of the Closing Date. Other than equitable remedies and except in the case of Fraud, from and after the Closing, the indemnities set forth in this Article XI shall be the exclusive remedies of Investor and Seller and their respective Indemnified Groups due to the breach or default of any covenant or agreement contained in this Agreement. The Parties shall not be entitled to a rescission of this Agreement or to any further indemnification rights, breach or damages or claims of any nature whatsoever in respect thereof, all of which the Parties hereby waive.

Section 11.9 Damages Disallowed. Except as expressly provided herein, no Party or its Related Parties, or other members of its Indemnified Group, shall be liable hereunder at any time

for consequential, exemplary, indirect, special or punitive damages or any Losses of the other Party or any of the members of their respective Indemnified Groups, whether in contract, tort (including negligence), strict liability or otherwise.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Entire Agreement. This Agreement, the Confidentiality Agreement, and the other Transaction Documents constitute the entire agreement and understanding of the Parties in respect of the subject matter contained herein and therein and supersede all prior agreements and understandings between the Parties with respect to such subject matter.

Section 12.2 Notices. All notices, requests, consents and other communications under this Agreement must be in writing and shall be deemed to have been duly given and effective (a) immediately (or, if not delivered before 5:00 p.m. San Francisco, California time on a Business Day, the next Business Day) if delivered by electronic mail (with confirmation of transmission) and if a hard copy is delivered by overnight delivery service the next Business Day, (b) on the date of delivery if by hand delivery (with confirmation of receipt) (or, if not delivered on a Business Day, the next Business Day) or (c) on the first Business Day following the date of dispatch (or, if not sent on a Business Day, the next Business Day after the date of dispatch) if sent by overnight service with a nationally recognized overnight delivery service (all fees prepaid). All notices shall be delivered to the following addresses, or such other addresses as may hereafter be designated in writing by such Party to the other Party:

(a) If to Investor:

[__]
[__]
[__]
Attention: [__]
Email: [__]

with copies (which shall not constitute notice) to:

[__]
[__]
[__]
Attention: [__]
Email: [__]

(b) If to Seller:

Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: [__]
Email: [__]

with copies (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, NW
Washington, DC 20005
Attention: Pankaj Sinha
Email: psinha@skadden.com

Munger, Tolles & Olson LLP
350 South Grand Ave, 50th Floor
Los Angeles, CA 90071
Attention: Judith Kitano
Email: judith.kitano@mto.com

(c) If to Pacific Generation:

Pacific Generation LLC
300 Lakeside Drive
Oakland, CA 94612
Attention: [President]
Email: [__]

with copies (which shall not constitute notice) to:

Pacific Generation LLC
300 Lakeside Drive
Oakland, CA 94612
Attention: General Counsel
Email: [__]

Section 12.3 Severability. Any term or provision of this Agreement that is determined by a court of competent jurisdiction to be invalid or unenforceable for any reason shall, as to that jurisdiction, be ineffective solely to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is determined by a court of competent jurisdiction to be so broad as to be unenforceable, that provision shall be interpreted to be only so broad as is enforceable.

Section 12.4 Assignment; Third-Party Beneficiaries. Except as otherwise provided herein, all the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the Parties and their respective successors and permitted assigns. Neither this Agreement, nor any right hereunder, may be assigned by any Party without the prior written consent of the other Parties. This Agreement is not intended to confer any rights or remedies hereunder upon any other Person except the Parties, it being for the exclusive benefit of the Parties and their respective successors and permitted assigns. Persons other than the Parties may not rely upon the representations and warranties in this Agreement as

characterizations of actual facts or circumstances as of the Agreement Date or as of any other date.

Section 12.5 Amendments. This Agreement may be amended, modified or supplemented, with respect to any of the terms contained in this Agreement, only by written agreement (referring specifically to this Agreement) signed by or on behalf of all Parties.

Section 12.6 Waiver. No waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is made expressly in an instrument in writing specifically referring to this Agreement and executed and delivered by the Party against whom such waiver is claimed. No waiver of any breach shall be deemed to be a further or continuing waiver of such breach or a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof, or the exercise of any other right, power or remedy. The rights and remedies of the Parties are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise.

Section 12.7 Interpretation.

(a) When a reference is made in this Agreement to an Article, Section, Schedule, clause or Exhibit, such reference shall be to an Article, Section or clause of, or Exhibit to, this Agreement unless otherwise indicated, and the words "Agreement," "hereby," "herein," "hereof," "hereunder" and words of similar import refer to this Agreement as a whole (including any Exhibits or Schedules) and not merely to the specific section, paragraph or clause in which such word appears. The table of contents and the Article and Section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and do not in any way affect the meaning or interpretation of this Agreement. The phrases "the date of this Agreement," "the date hereof" and terms of similar import, shall be deemed to refer to the Agreement Date. References to any statute are to that statute, as amended from time to time, and to the rules and regulations promulgated thereunder. Unless otherwise expressly provided herein, references to any agreement or document shall be a reference to such agreement or document as in effect on the Agreement Date and amended, modified or supplemented to the extent expressly permitted by the terms hereof and in effect from time to time and shall include reference to all exhibits, schedules and other documents or agreements attached thereto or incorporated therein, including waivers or consents. Unless otherwise expressly provided herein, references to any Person include the successors and permitted assigns of that Person. Whenever the content of this Agreement permits, the masculine gender shall include the feminine and neuter genders, and a reference to singular or plural shall be interchangeable with the other. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. As used in this Agreement: (i) the term "including" and words of similar import mean "including, without limitation" unless otherwise specified, (ii) "$" and "dollars" refer to the currency of the U.S., (iii) "or" shall include both the conjunctive and disjunctive and (iv) "any" shall mean "one or more." Unless the defined term "Business Days" is used, references to "days" in this Agreement refer to calendar days. Any document, list or

other item shall be deemed to have been "made available" or "provided" to Investor for purposes of this Agreement only if such document, list or other item was posted at least one (1) Business Day before the Agreement Date in the Intralinks electronic data room established by Seller for the Transaction.

(b) The Parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

(c) No summary of this Agreement prepared by or on behalf of any Party shall affect the meaning or interpretation of this Agreement.

Section 12.8 Governing Law; Consent to Jurisdiction; WAIVER OF JURY TRIAL.

(a) This Agreement, the legal relations between the Parties and the adjudication and the enforcement thereof, shall be governed by and interpreted and construed in accordance with the substantive laws of the State of Delaware, without regard to applicable choice of law provisions thereof.

(b) Each Party, by its execution hereof, (i) hereby irrevocably submits and consents to the exclusive jurisdiction of the Court of Chancery of the State of Delaware or the United States District Court of Delaware for the purpose of any and all actions, suits or proceedings arising in whole or in part out of, related to, based upon or in connection with this Agreement or the subject matter hereof that are initiated prior to the Closing (each, a "Proceeding"), (ii) hereby waives to the extent not prohibited by applicable Law, and agrees not to assert, by way of motion, as a defense or otherwise, in any Proceeding, any claim that it is not subject to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution or that any such action brought in one of the above-named courts should be dismissed on grounds of forum non conveniens, should be transferred to any court other than one of the above-named courts or should be stayed by reason of the pendency of some other proceeding in any other court other than one of the above-named courts, or that this Agreement or the subject matter hereof may not be enforced in or by such court and (iii) hereby agrees not to commence any Proceeding other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any Proceeding to any court other than one of the above-named courts whether on the grounds of inconvenient forum or otherwise. Each Party hereby (A) consents to service of process in any such action in any manner permitted by Delaware Law, (B) agrees that service of process made in accordance with clause (A) or made by registered or certified mail, return receipt requested, at its address specified pursuant to Section 12.2, shall constitute good and valid service of process in any Proceeding and (C) waives and agrees not to assert (by way of motion, as a defense or otherwise) in any Proceeding any claim that service of process made in accordance with clauses (A) or (B) does not constitute good and valid service of process.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY PROCEEDING OR OTHER CONTROVERSY WHICH MAY ARISE IN CONNECTION

WITH THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUCH PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE TRANSACTIONS, OR THE FORMATION, BREACH, TERMINATION OR VALIDITY OF THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) IT MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.8.

(d) With respect to any controversy or claim arising out of or related to this Agreement that occurs from and after the Closing, the dispute resolution terms and procedures set forth in Section 15.11 of the A&R LLC Agreement shall apply to such controversy or claim and are incorporated herein *mutatis mutandis*.

(e) Each of the Parties hereby agrees, with respect to any Proceeding, (i) to take all actions necessary to consolidate and join together such Proceeding with any other action, suit or proceeding arising in whole or in part out of, related to, based upon or in connection with the Transactions or the transactions under the Separation Agreement or the subject matters thereof (each, a "Related Proceeding"); (ii) that any Related Proceeding necessarily would involve common questions of law or fact and arise under the same related transactions, such that consolidation and joinder would be necessary to guard against oppression or abuse, prevent delay, save unnecessary expense, further judicial economy and convenience, and avoid divergent decisions or findings of law or fact; and (iii) not to assert, by way of a claim, cause of action, motion, defense or otherwise, in any action, suit or proceeding, any argument or contention that is inconsistent in any respect with this Section 12.8(e); provided, however, that this Section 12.8(e) shall not be given effect if and to the extent that it would contradict the application of any express dispute resolution provision provided in the A&R LLC Agreement or any other Contract related to the Transactions or the transactions under the Separation Agreement with respect to disputes expressly covered by those Contracts.

Section 12.9 Specific Performance. The Parties agree that irreparable harm would occur and the Parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity. The Parties hereby waive in any action for specific performance the defense of adequacy of a remedy at law in connection therewith. The Parties further agree that (a) by seeking any remedy provided in this Section 12.9, a Party shall not in any respect waive its right to seek any other form of relief that may be available to it under this Agreement and (b) nothing contained in this Section 12.9 shall require a Party to institute any action for (or limit

a Party's right to institute any action for) specific performance under this Section 12.9 prior to exercising any other right under this Agreement.

Section 12.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Agreement.

Section 12.11 No Offset. No Party may offset any amount due to any other Party or any of such other Party's Related Parties against any amount owed or alleged to be owed from such other Party or its Related Parties under this Agreement or any other Transaction Document without the written consent of such other Party.

Section 12.12 Waiver; Conflicts. Recognizing that each of Munger, Tolles & Olson LLP and Skadden, Arps, Slate, Meagher & Flom LLP ("Company Counsel") have acted as legal counsel to Seller and Pacific Generation and certain of their Related Parties prior to the date hereof, and that Company Counsel intends to act as legal counsel to Seller and Pacific Generation and their Related Parties after the Closing, Investor hereby waives, on its own behalf and agrees to cause its respective Related Parties to waive, any conflicts that may arise in connection with Company Counsel representing Seller or Pacific Generation or its Related Parties, whether prior to or after the Closing, as such representation may relate to the Transactions or the transactions under the Separation Agreement. In addition, all communications involving attorney-client confidences between Seller or Pacific Generation and their respective Related Parties, on the one hand, and Company Counsel, on the other hand, in the course of the engagement with respect to negotiation, documentation and consummation of the Transactions and the transactions under the Separation Agreement shall be deemed to be attorney-client confidences that belong solely to Seller and Pacific Generation and their Related Parties (and not Investor). Accordingly, Investor shall not have the right to obtain access to any such communications or to the files of Company Counsel relating to such engagement at any time. Without limiting the generality of the foregoing, from and after the Closing Date, (a) Seller and Pacific Generation and their Related Parties (and not Investor) shall be the sole holders of the attorney-client privilege with respect to such engagement, and Investor shall not be a holder thereof, (b) to the extent that files of Company Counsel in respect of such engagement constitute property of the client, only Seller and Pacific Generation and its Related Parties (and not Investor) shall hold such property rights and (c) Company Counsel shall have no duty whatsoever to reveal or disclose any such attorney-client communications or files to Investor by reason of any attorney-client relationship between Seller and Pacific Generation and Company Counsel or otherwise. This Section 12.12 shall be irrevocable, and no term of this Section 12.12 may be amended, waived or modified, without the prior written consent of Company Counsel.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the Agreement Date.

PACIFIC GAS & ELECTRIC COMPANY

By: _____
Name:
Title:

PACIFIC GENERATION LLC

By: _____
Name:
Title:

[INVESTOR]

By: _____
Name:
Title:

[*Signature Page to Minority Sale Agreement*]

EXHIBIT A

FORM OF SEPARATION AGREEMENT

[see attached]

EXHIBIT B

FORM OF A&R LLC AGREEMENT OF PACIFIC GENERATION LLC

[see attached]

EXHIBIT C

FORM OF ASSIGNMENT AGREEMENT

[to be provided]

EXHIBIT D

FORM OF NON-FOREIGN STATUS CERTIFICATE

[to be provided]

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 6

PACIFIC GENERATION'S FINANCIAL CONDITION

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 6
PACIFIC GENERATION'S FINANCIAL CONDITION

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 6
PACIFIC GENERATION'S FINANCIAL CONDITION

A. Introduction *(J. Plaster; M. Becker)*

This chapter provides an overview of the anticipated financial condition of Pacific Gas and Electric Company's (PG&E) new, California Public Utilities Commission (CPUC or Commission)-rate-regulated generation subsidiary (Pacific Generation LLC (Pacific Generation)). As a result of the Proposed Transaction and as described in more detail in Chapter 2, Pacific Generation would own substantially all the non-nuclear generation assets currently owned and operated by PG&E. Pacific Generation would be subject to cost-of-service regulation by the Commission and have an authorized revenue requirement that it collects in rates. The ratemaking proposal is detailed in Chapter 9. Taking into account that proposal, this Chapter focuses on Pacific Generation's financial condition and the related debt financing authority that it requests. This includes discussion of the following:

- The key factors underlying Pacific Generation's financial condition;
- Pacific Generation's anticipated credit ratings;
- Pacific Generation's access to debt markets, both in order to facilitate its initial capitalization at the close of the Proposed Transaction and on a go-forward basis to fund future rate base investments and to operate as a utility;
- Pacific Generation's initial capitalization and debt issuance;
- Pacific Generation's access to equity capital to fund future investments; and
- The various authorizations Pacific Generation requests from the Commission for its issuance of debt as part of and following the Proposed Transaction.

B. Pacific Generation's Financial Condition and Anticipated Credit Ratings (*J. Plaster*)

In connection with the proposal in this application, PG&E is developing financial projections for Pacific Generation as a separate legal entity. Those projections and this Chapter of testimony assume that PG&E and Pacific Generation's ratemaking proposal (described in Chapter 9) will be adopted,

authorizing an annual revenue requirement for Pacific Generation for the 2023 Test Year and the 2024-2026 attrition years. For example, PG&E's General Rate Case request includes approximately $300 million in annual capital expenditures on average over the rate case period for rate base investments that will support its non-nuclear generation business, investments that are expected to be made by Pacific Generation instead of PG&E if the Proposed Transaction is consummated. Moreover, my testimony also assumes that Pacific Generation will have a regulatory capital structure consisting of 52 percent equity and 48 percent long-term debt[1] with an authorized rate of return on equity of 11 percent, a cost of long-term debt of 4.30 percent, and a consolidated rate of return of 7.79 percent, consistent with PG&E's request in its cost of capital application (A.22-04-008).[2]

Based on these projections and the contemplated structure of the Proposed Transaction, I expect Pacific Generation to be in a strong and healthy financial position on a standalone basis upon the closing. Two primary factors support this conclusion.

First, Pacific Generation will be a cost-of-service-regulated generation utility with a dedicated revenue stream from customers sufficient to recover its authorized revenue requirement. Specifically, Pacific Generation's revenue requirement will allow it to cover its operation and maintenance costs and also provide a reasonable return on capital for Pacific Generation and its owners (PG&E and the Minority Investor(s)).

Second, and relatedly, I anticipate Pacific Generation's leverage profile and its business risk profile to fall within the investment grade category for the broad regulated utility sector. This means that Pacific Generation will have ample access to the attractive investment-grade debt market in order to help meet its future capital needs.

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1 As reflected in Application (A.) 22-04-008, PG&E's regulated capital structure includes 0.5 percent of preferred stock. Although preferred stock remains part of PG&E's capital structure, Pacific Generation does not anticipate issuing preferred equity or having preferred equity as part of its initial capitalization. Thus, Pacific Generation's proposal includes a slightly higher percentage of long-term debt in its capital structure than PG&E's.

2 On July 29, 2022, PG&E served errata testimony in A.22-04-008 updating its proposed 2023 cost of long-term debt to 4.30 percent from 4.27 percent, the initial figure presented in PG&E's 2023 Cost of Capital Application.

To place both of these points in context, it is important to understand how the rating agencies evaluate utilities in general and how they are likely to evaluate Pacific Generation as a stand-alone entity, including what credit ratings I would expect them to assign to Pacific Generation.

1. Rating Agency Evaluation of Utilities

The credit rating agencies assign a corporate credit rating to a utility based on numerous factors. This process primarily consists of evaluating the utility's business risk and financial leverage. The rating ultimately assigned is critical to a company's ability to access debt markets on advantageous terms and conditions.

Business Risk. Although rating agencies take slightly different approaches to assigning credit ratings, all give significant weight to the underlying stability of the business's cash flows. Utilities generally measure well in this regard, because they have stable cash flows generated by revenues from monopoly franchises for the provision of an essential service such as electricity or gas.

In determining a company's business risk, rating agencies also weigh the regulatory environment. This is an especially important factor for utilities, as the regulatory framework has a significant bearing on a utility's financial performance. For utilities, rating agencies consider the transparency, predictability, and consistency of the regulatory framework; the extent to which it facilitates cost recovery and the timeliness of that recovery; its flexibility to allow for recovery of unexpected costs; and its ability to attract long-term capital, among other factors.[3]

Financial Leverage. A company's ability to repay debt depends in part on its expected future cash flows from operations, which are usually characterized as funds from operations (FFO) for the utility sector. Rating agencies look to certain leverage metrics—in particular, the relationship between FFO and a company's total debt and debt-equivalents

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3 S&P Global Ratings, *Key Credit Factors for the Regulated Utilities Industry ("S&P Key Credit Factors")*, p. 6–7 (Jan. 22, 2016).

(e.g., FFO-to-debt ratio),[4] and significantly weight this ratio in determining the financial risk profile of a utility.[5]

The methodology each agency uses to assign a credit rating ultimately considers the combination of business risk and financial leverage: At the same credit rating level, a company with a weaker business risk profile will require lower financial leverage, whereas a company with a stronger business risk profile will be allowed higher financial leverage.

2. Pacific Generation's Credit Profile and Expected Debt Ratings

I expect Pacific Generation's credit profile to benefit from a number of important qualitative factors. With regard to the fundamentals of the business, PG&E will continue to control and operate Pacific Generation, while Pacific Generation will operate as a utility under the Commission's jurisdiction and dedicate its output to public service, with revenue streams, including from customer rates, sufficient to recover its authorized revenue requirement. Additionally, California's regulatory construct provides high visibility into long-term earnings and cash flows, and Pacific Generation will be capitalized in line with its authorized regulatory capital structure.

In general, California utilities tend to score highly with respect to the business fundamentals evaluated by the rating agencies because they have stable cash flows and monopoly franchises and operate in a predictable regulatory environment. I expect Pacific Generation to be treated in a similar manner to its peer California utilities and to score highly with respect to business fundamentals.

Pacific Generation is also likely to be compared to other utilities of similar size that own generation assets in their regulated asset base. While

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4 S&P Global Ratings, *Corporate Methodology* (Nov. 19, 2013), at p. 68. S&P defines "Funds from operations (FFO)" as "a hybrid cash flow measure that estimates a company's inherent ability to generate recurring cash flow from its operations independent of working capital fluctuations"; see also Moody's, *Regulated Electric and Gas Utilities* (Jun. 23, 2017), at p. 20. Similarly, Moody's defines "CFO pre-WC/Debt" as "an indicator for a utility's ability to cover the costs of its borrowed capital." Further, "CFO pre-WC" is defined as "Cash Flow from Operations Before Changes in Working Capital […] because, unlike FFO, it captures the changes in long-term regulatory assets and liabilities."

5 Moody's*, Regulated Electric and Gas Utilities* (Jun. 23, 2017), p. 4. Regarding financial credit metrics, Moody's explains that 40 percent of a utility's rating is based on "Financial Strength, Key Financial Metrics."

as a generation-only utility, Pacific Generation will have a unique operating profile in comparison to other regulated utilities of similar size. The entity will have a comparable ability to earn an allowed return on invested capital, but like other utilities of similar size, lack of scale (compared to larger regulated utilities) may also serve as a credit consideration for both Moody's and S&P.

Pacific Generation is expected to issue secured debt in the form of mortgage bonds. Rating agencies generally view utility mortgage bonds as having a high recovery rate due to the critical infrastructure nature of the assets.

Pacific Generation's secured debt ratings will be established in light of the credit ratings of both PG&E Corporation and PG&E, taking into account Pacific Generation's status as a separate company and the separateness provisions in place between PG&E and Pacific Generation. Although Pacific Generation is newly organized as a standalone company, the generation assets that are the subject of the Proposed Transaction have a long operating track record and are well understood. Pacific Generation will be viewed as an evolution of PG&E's existing non-nuclear generation business, and despite the transfer in ownership to Pacific Generation, PG&E will have a well-defined role in continuing to operate, maintain, dispatch and schedule the transferred assets and their output. In other words, there will be no substantive change in how the assets are operated and managed on a day-to-day basis or in the governing cost-of-service regulatory regime.

At Moody's, Pacific Generation will be rated primarily as a standalone company, with some consideration given to its linkages to PG&E, taking into account the entity's financial and business risk profile as well as the separateness provisions in place between PG&E and Pacific Generation. As discussed, there will be no substantive change in how the Pacific Generation utility assets are operated and paid for by customers. Additionally, Pacific Generation will be capitalized in line with its authorized regulatory capital structure. As a result, the business risk and leverage profile for Pacific Generation's secured debt securities should fall within the investment grade category for the broad regulated utility sector.

At S&P, Pacific Generation will be considered a "group member" of PG&E Corporation, as it is a majority-owned, managed, and operated subsidiary, and Pacific Generation's credit rating will be capped by the Issuer Rating of PG&E Corporation. Under S&P's criteria, a group member's credit rating can only be as high as three notches above the Issuer Rating of the parent entity. Additionally, security on a debt instrument can provide an incremental one to two notches of ratings separation from the issuing entity's Issuer Rating, which itself can be up to three notches removed from the parent entity's Issuer Rating. Given PG&E Corporation's BB- Issuer Rating (which is three notches below investment grade) and the ratings on PG&E's recent secured debt issuances, I believe that the ratings separation provided by Pacific Generation's secured debt will be sufficient to achieve an investment grade rating.

C. Pacific Generation's Access to Investment-Grade Debt Markets (*J. Plaster*)

As a part of the Proposed Transaction, Pacific Generation will need to access the United States (U.S.) investment-grade bond market for both its initial debt capitalization and ongoing debt capital needs. Pacific Generation will issue up to $2.1 billion of debt in 2023 to capitalize the entity in line with its approved regulatory capital structure, proposed to consist of 48 percent long-term debt. To finance ongoing maintenance and capital expenditures, I would expect Pacific Generation to issue modest amounts of additional debt each year. Given the investment-grade credit profile of the entity and the strength of the U.S. investment-grade bond market for regulated entities, I believe that Pacific Generation will have the ability to issue the necessary debt for its initial capitalization and to fund debt capital on an ongoing basis at attractive market rates.

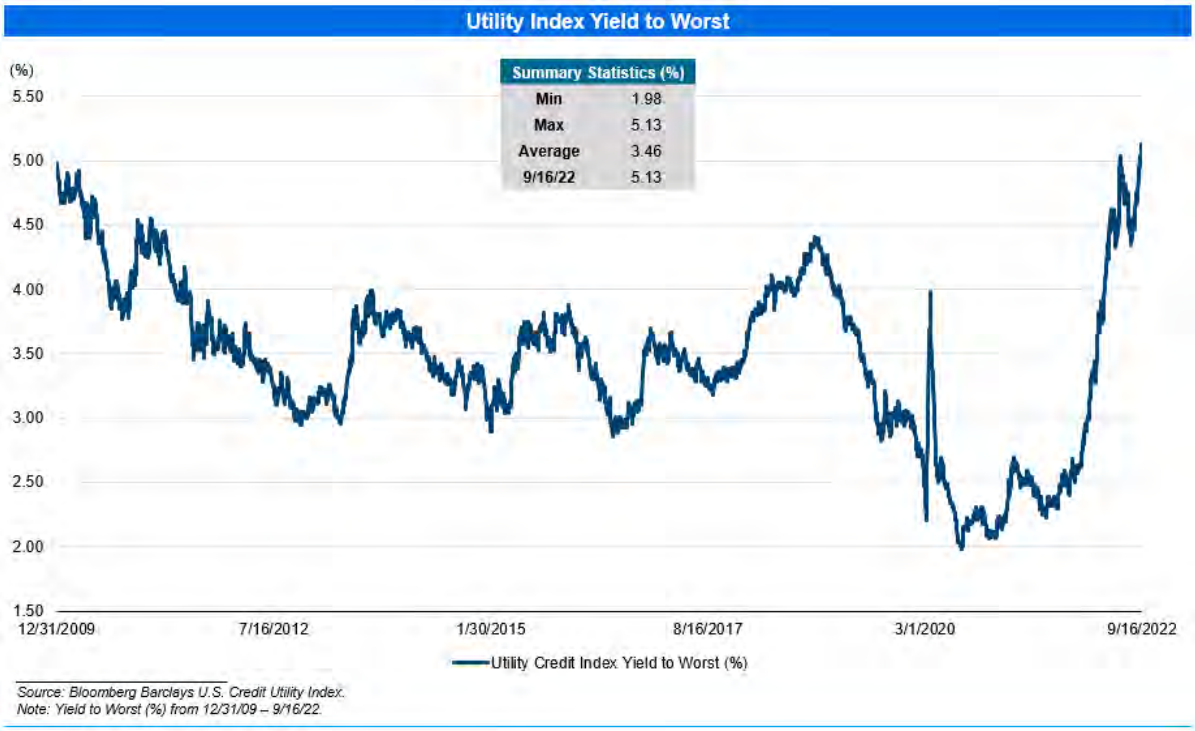
1. The Investment Grade Bond Market in the U.S

As shown in the chart below, the risk premium (or credit spread) of the Investment Grade U.S. Utility Index is currently approximately 143 basis point (bps) and the yield is currently approximately (5.13 percent).[6] Utility

[6] Risk premium is calculated by subtracting the yield of the Investment Grade U.S. Utility Index between December 31, 2009 and the present from U.S. Treasuries.

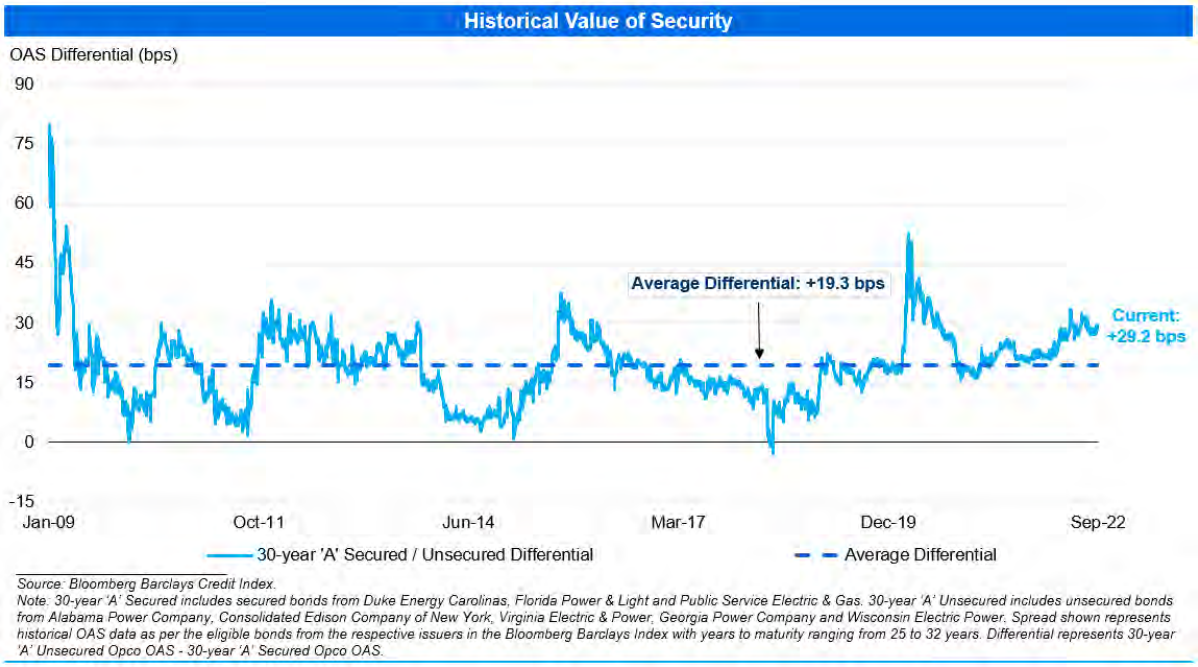
companies are typically able to borrow at lower rates compared to non-utility companies with the same rating.

FIGURE 6-1



Historically, utility unsecured operating company debt has had a higher premium (or credit spread), compared to secured operating company debt. This reflects investors' perception that secured utility debt has a very low probability of capital loss. In periods of distress, such as during the 2008-2009 financial crisis, the risk premium differential between unsecured and secured utility debt has risen above 75 bps. Currently, the risk premium of unsecured utility operating company debt versus secured utility operating company debt is approximately 29 bps, as shown in the chart below:

FIGURE 6-2



Source: Bloomberg Barclays Credit Index.
Note: 30-year 'A' Secured includes secured bonds from Duke Energy Carolinas, Florida Power & Light and Public Service Electric & Gas. 30-year 'A' Unsecured includes unsecured bonds from Alabama Power Company, Consolidated Edison Company of New York, Virginia Electric & Power, Georgia Power Company and Wisconsin Electric Power. Spread shown represents historical OAS data as per the eligible bonds from the respective issuers in the Bloomberg Barclays Index with years to maturity ranging from 25 to 32 years. Differential represents 30-year 'A' Unsecured Opco OAS - 30-year 'A' Secured Opco OAS.

Accordingly, to lower their cost of debt capital, utilities commonly issue secured first mortgage bonds instead of unsecured bonds.

2. Pacific Generation Will Have Access to the Secured Debt Market and Be Able to Issue Investment-Grade Debt

Based on my assessment of Pacific Generation's anticipated credit profile and the debt market, I believe that Pacific Generation will be able to issue investment-grade mortgage bonds as part of the Proposed Transaction. As part of the closing, Pacific Generation intends to issue up to $2.1 billion in secured long-term debt. In my opinion, Pacific Generation's anticipated debt offering of investment-grade-rated first mortgage bonds will attract more than enough capital from institutional and high-grade debt investors to capitalize Pacific Generation and to meet its capital needs upon the closing of the Proposed Transaction. In light of Pacific Generation's anticipated credit ratings and projected financial performance, I also believe that Pacific Generation will have continued access to the investment-grade bond market, and this access should only deepen as Pacific Generation, PG&E and PG&E Corporation's ratings improve over time.

D. Pacific Generation Will Have Access to Equity to Fund Future Investments (*J. Plaster*)

Because Pacific Generation anticipates that its planned capital expenditures will exceed its depreciation, Pacific Generation will require additional equity over time in order to fund its investments in rate base and to maintain alignment with its ratemaking capital structure. Some of this need will be met by PG&E as the majority owner. As discussed in Chapter 5, it also is expected that each Minority Investor will contribute additional equity. Indeed, the same reasons that Minority Investors have for initially investing in Pacific Generation as part of the Proposed Transaction will continue to attract investment in the future, and many potential Minority Investors are likely to view the opportunity for such further investment as an advantage of the Proposed Transaction. If that is not the case, however, and a Minority Investor is not willing or able to contribute additional equity capital, under the terms of the LLC Agreement PG&E will have the right to contribute up to all of the necessary capital (or obtain additional equity capital from other sources (subject to its authorized capital structure)), thereby diluting the ownership interest of such Minority Investor. Alternatively, Pacific Generation could seek equity capital contributions from other third-party minority investors, which would likewise dilute the ownership interest of any existing Minority Investor that does not contribute additional equity capital as requested by Pacific Generation.[7] I fully expect Pacific Generation to have access to sufficient equity capital to meet its needs. Indeed, in some ways the Proposed Transaction better provides these additional potential sources of equity capital compared to the status quo absent the Proposed Transaction, where PG&E would need to fund 100 percent of the non-nuclear generation business's equity capital expenditures through either retained earnings or capital infusions from PG&E Corporation.

Pacific Generation's capital needs will be further supported by the First Priority Condition established in connection with PG&E's reorganization under a

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[7] In any such scenario, PG&E would maintain control over Pacific Generation and its majority investor status by making its pro rata capital contribution to prevent dilution of its ownership interest.

holding company structure.[8] Specifically, and as discussed in more detail in Chapter 11, the capital requirements of both Pacific Generation and PG&E, as determined to be necessary and prudent to meet the obligations of each utility to serve customers and to operate in a prudent and efficient manner,[9] will be given first priority by the Board of Directors of the parent holding company, PG&E Corporation.[10]

E. Pacific Generation's Requested Debt Authorizations (*M. Becker*)

Pacific Generation requires authorization from the Commission pursuant to, *inter alia*, Public Utilities Code (Pub. Util. Code) Sections 816 et seq. and 851 in order to issue the necessary debt to consummate the Proposed Transaction and to meet Pacific Generation's ongoing financing needs as a utility after the Proposed Transaction closes. Specifically, Pacific Generation requests financing authorization as follows:

1) To issue up to $2.1 billion in long-term debt to capitalize Pacific Generation as part of the Proposed Transaction and reorganization of PG&E and to finance Pacific Generation's rate base in line with its authorized capital structure;
2) For up to $1.2 billion[11] in short-term debt authority for Pacific Generation's working capital and other short-term liquidity needs to operate as a utility on an ongoing basis; and
3) To issue up to $350 million in long-term debt to fund Pacific Generation's anticipated capital expenditures over the 2024-2026 period.

These requests are described in more detail below and are substantially similar in type to those requested in PG&E's most recent applications of this

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8 Decision (D.) 96-11-017, *In Matter of Pacific Gas and Electric Co.*, 69 CPUC. 2d 167 (1996); see also D.9-04-068, 194 P.U.R. 4th 1 (1999).

9 *In re Pacific Gas and Elec. Co.*, 2002 WL 257547 (2002).

10 The first priority condition requires PG&E Corp. to give a utility subsidiary "preference over all competing potential recipients of capital resources" when that "utility's access to or possession of capital of any type is impaired, and its ability to discharge its obligation to serve is consequently threatened." *In re Pacific Gas and Elec. Co.*, 2002 WL 257547 (2002).

11 Historically, the Commission has expressed PG&E's authorized short-term debt as an authorized amount, including amounts allowed by Pub. Util. Code Section 823(c) (i.e., 5 percent of the par value of PG&E's outstanding long-term securities). The same approach is take here for Pacific Generation.

kind. See D.21-05-008 (short-term debt); D.20-12-025 (long-term debt); D.20-05-053 (short-term and long-term debt).

As described in Chapter 1 and in Section E.5, below, the proceeds from the initial debt financing requested in Item (1) above (as well as the proceeds of the sale of the Minority Equity Interests to the Minority Investor(s)) would inure to PG&E to support PG&E's capital expenditure program in 2024 and beyond, and to enable PG&E to retire existing debt that is funding rate base and is scheduled to mature[12] and/or to forbear from issuing new debt to finance PG&E's rate base. The proceeds from the financing requested in Items (2) and (3) above would inure to Pacific Generation to support Pacific Generation's working capital and short-term debt needs and to finance its anticipated capital expenditures on a going-forward basis.

1. Pacific Generation's Requested Authorizations to Issue Long-Term Debt Securities

Pacific Generation seeks two separate long-term debt authorizations from the Commission—Items (1) and (3) requested above. Specifically, in Request (1), Pacific Generation seeks authorization to issue, sell and deliver, or otherwise incur up to $2.1 billion in long-term debt for the purposes described in Section E.5. in order to capitalize Pacific Generation as part of the Proposed Transaction and reorganization of PG&E and to finance its rate base in line with its authorized capital structure. The amount of this authorization reflects an anticipated long-term debt need of approximately $1.9 billion for Pacific Generation's initial capitalization, based on its projected end of year 2023 rate base and Construction Work-in-Progress, accounting for the proposed regulatory capital structure. In light of uncertainty around both the timing of the closing of the Proposed Transaction and the accuracy of this forecasted amount, the actual rate base associated with the assets transferred to Pacific Generation by PG&E may be higher or lower. Thus, to accommodate this uncertainty, Pacific Generation requests a total authorization of $2.1 billion for its initial

[12] Alternatively (or in addition), PG&E might retire this or other long-term debt before it matures through a tender offer, repurchase or redemption, or an exchange offer for new Pacific Generation long-term debt.

capitalization.[13] Irrespective of the total requested authorization, however, Pacific Generation would issue a total quantum of debt for its initial capitalization in compliance with its authorized capital structure as applied to its rate base at the time of the closing of the Proposed Transaction.

In Request (3), Pacific Generation seeks authorization to issue, sell and deliver, or otherwise incur up to $350 million in long-term debt, from time to time and in one or more series, as applicable, for the purposes described in Section E.5., with all such issuances to take place at any time at or following the closing until the aggregate principal amount authorized has been fully utilized. The amount of this request is based on Pacific Generation's anticipated capital expenditures over the 2024-2026 period. It also includes a contingency amount intended to give Pacific Generation flexibility to address capital needs that exceed current expectations,—particularly in light of uncertainty regarding inflation—or take advantage of liability management opportunities.

In connection with these requests, PG&E seeks authorization to issue the various types of long-term debt securities and instruments described below (collectively, and together with the short-term debt securities and instruments described below, "Debt Securities"). Pacific Generation also seeks authorization, in connection with the issuance of Debt Securities, to: (a) guarantee the securities and other debt instruments of regulated direct or indirect subsidiaries or affiliates of Pacific Generation (such subsidiaries and affiliates generally referred to herein as "affiliates") or of governmental entities that issue securities on behalf of Pacific Generation; (b) execute and deliver one or more indentures or supplemental indentures and other instruments evidencing or governing the terms of Debt Securities; and (c) sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property, including but not limited to its accounts receivable. Specifically in connection with Request (3), above, Pacific Generation also seeks authorization to enter into interest rate hedges.

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13 To the extent there is greater variation than what Pacific Generation has accounted for in the amount of this requested authorization, and in the event Pacific Generation intends to issue a total quantum of debt for its initial capitalization in excess of $2.1 billion, Pacific Generation proposes to use a portion of the amount in Request (3), which is intended to account for potential contingencies.

a. Description of Debt Securities

For its requested authority to issue long-term debt, Pacific Generation seeks authorization to issue the various types of debt instruments described in this section. The principal amount, form and terms and conditions of each series or other type of Debt Securities will be determined by Pacific Generation's Board or management (or by PG&E as the sole member of Pacific Generation) according to market conditions at the time of sale or issuance. The Debt Securities may bear a fixed, floating, or variable rate of interest and may be issued at par or with an original issue discount or premium. The Debt Securities may have either mandatory or optional redemption features. Pacific Generation may issue Debt Securities directly or may issue them through an affiliate that will in turn lend or otherwise transfer the proceeds to or for the benefit of Pacific Generation.

1) Secured Debt Securities

Pacific Generation may issue secured Debt Securities, which include first and refunding mortgage bonds issued under a mortgage trust indenture but may include other forms of secured Debt Securities (collectively, "Secured Debt Securities"). Secured Debt Securities may be sold in one or more public offerings or in one or more private placements.[14] Secured Debt Securities may be sold to underwriters, who in turn will re-offer the Secured Debt Securities to investors, or may be sold directly to investors, either with or without the assistance of a private placement agent. As described below, Secured Debt Securities may also be delivered in connection with a tax-exempt financing or in connection with the issuance of other debt instruments. Secured Debt Securities may be registered with the Securities and Exchange Commission (SEC), depending on the method of offering and sale and may be listed on a stock exchange. Since any such Secured Debt Securities would be an encumbrance on Pacific Generation's utility properties, Pacific

[14] Bonds and other Debt Securities sold in private placements may contain provisions for subsequent public registration.

Generation requests authorization under Pub. Util. Code Section 851 to mortgage and encumber utility property.

2) Unsecured Debt Securities

Pacific Generation may issue unsecured Debt Securities as bonds, debentures, notes, trust preferred securities, or other evidences of indebtedness in one or more public offerings or in one or more private placements.[15] Unsecured Debt Securities (consistent with financial marketplace terminology, collectively referred to herein as “notes”) would not be secured by property of Pacific Generation, but may be issued under trust indentures. Notes may be sold to underwriters, who in turn will re-offer the Notes to investors, or may be sold directly to investors, either with or without the assistance of a placement agent. Pacific Generation may also issue debentures or other unsecured Debt Securities directly or as part of an issuance of trust-preferred securities. In such an issuance, Pacific Generation may create a subsidiary in the form of a trust that would issue preferred securities to the public. The preferred securities would represent an interest in the debentures or other unsecured Debt Securities issued by Pacific Generation to the trust and would also be guaranteed by Pacific Generation. Notes may be registered with the SEC and may be listed on a stock exchange.

3) Overseas Indebtedness

Pacific Generation and/or an affiliate may issue Debt Securities in the form of debentures, notes, or other evidences of indebtedness that would be issued and sold to foreign investors and would likely be denominated in U.S. dollars. Such overseas indebtedness may be sold to underwriters who in turn may offer the Debt Securities to investors or may be sold directly to investors, either with or without the assistance of a placement agent. This type of financing can be advantageous when foreign demand for U.S. dollar-denominated

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15 As with secured Debt Securities, unsecured Debt Securities sold in private placements may contain provisions for subsequent public registration.

securities is high. Overseas indebtedness typically would be issued and sold when such issuances result in an overall cost of money to Pacific Generation and/or an affiliate lower than issuances of comparable domestic debt securities in the U.S. market.

4) Medium-Term Notes

Medium-Term Notes (MTN) may be offered as part of a program on a continuous or periodic basis. MTNs may be sold privately or publicly in the domestic or foreign capital markets. If sold in foreign capital markets, MTNs may be denominated in U.S. dollars. Interest rates may be fixed or floating.

MTNs may require registration under the federal securities laws. Pacific Generation and/or an affiliate may sell MTNs through a placement agent who markets notes on a reasonable-efforts basis. Pacific Generation and/or an affiliate also may sell MTNs to underwriters who in turn offer them to investors, or Pacific Generation and/or an affiliate may sell MTNs directly to investors. MTNs may be listed on a stock exchange.

If MTNs are sold through a placement agent, Pacific Generation and/or an affiliate would determine the interest rates at which they would be willing to issue MTNs of various maturities. The placement agent would be notified of those interest rates. Under such programs, Pacific Generation (or its affiliate) is able to update this notice to the placement agent to reflect changing market conditions and Pacific Generation’s need for funds.

5) Direct Loans

Pacific Generation anticipates that from time to time it may be advantageous to borrow directly from financial institutions such as banks, insurance companies, or other financial lenders. Pacific Generation generally would enter into such loans when the loans were designed to result in an overall cost of money lower than that available through the issuance of other forms of Debt Securities or when necessary or advisable as an interim arrangement or for other reasons. Such loans could be either secured or unsecured.

6) Accounts Receivable Financing

Pacific Generation may obtain financing through the issuance of Debt Securities secured by a pledge, sale, or assignment of its accounts receivable. Pacific Generation anticipates that this type of transaction would be structured to be a true sale for bankruptcy purposes and debt for financial reporting and tax purposes, although other structures may be developed using accounts receivable as security or collateral. In one potential structure of an accounts receivable financing, Pacific Generation may create a subsidiary that purchases accounts receivable from Pacific Generation and pledges them as collateral, and Pacific Generation may pledge the equity interests in this subsidiary.

Since an accounts receivable financing would be an encumbrance on Pacific Generation's utility properties to the extent that accounts receivable or equity interests in the subsidiary are considered to be utility property, Pacific Generation requests authority for such financing, pursuant to Pub. Util. Code Section 851.

7) Other Floating Rate Debt

Opportunities may arise from time to time for Pacific Generation and/or an affiliate to issue other forms of floating or variable rate debt which may lower the overall cost of money. The types of other floating or variable rate debt include, but are not limited to, debt instruments bearing interest based on various short-term interest rate indices, bankers' acceptances, and other floating or variable rate instruments which may become available in the capital markets at attractive rates. The interest rates on floating or variable rate debt also may vary based on changes in Pacific Generation's credit ratings or other factors.

8) Hybrid Securities

Hybrid securities are securities that have characteristics of both debt and equity securities. The advantage of these securities over a traditional mix of debt and equity financing is that based on

guidance by the Internal Revenue Service and rating agencies, most new issuances are structured such that the dividends are tax-deductible to the issuer and the securities are treated, in part, like equity by the rating agencies. Hybrid issuances have been structured to offer equity content (25 percent-75 percent) and low default risk in a security that is cost competitive and less dilutive than a similar mix of traditional debt and equity. Equity content treatment by the rating agencies is obtained with: long maturities (30 years to perpetuity), subordination to senior creditors, and the ability to defer dividends.

Pacific Generation would treat hybrid securities as preferred equity in its cost of capital proceedings and in determining compliance with its authorized capital structure. Such treatment is consistent with the Commission's past practice with respect to other preferred stock alternatives. Hybrid securities may be issued as subordinated debt directly to the public or structured as a trust-preferred security, with Pacific Generation issuing subordinated debt to a subsidiary, generally in the form of a trust, and the trust, in turn, issuing preferred securities to the public. Depending on then-market condition at the time of issuance, the terms of hybrid securities may include: (1) restrictive redemption provisions, such as capital replacement provisions; (2) interest rates which may be fixed, floating, adjustable, deferrable, or which may be set by a market auction procedure; (3) mandatory sinking funds; and (4) such other provisions as Pacific Generation may deem appropriate in connection with its issuance and sale of hybrid securities. Hybrid securities may be registered with the SEC and may be listed on a stock exchange.

b. Interest Rate Caps, Collars, Swaps, and Hedges

Pacific Generation seeks authority to enter into various financial instruments for the purpose of managing interest rate risk. Such instruments could take a number of forms, including: interest rate cap agreements, interest rate floor agreements, interest rate collar agreements, swaptions, and interest rate swap agreements. Pacific

Generation also requests authority to enter into contracts to manage the risk of increased interest rates associated with planned financings. Such contracts could include hedging future debt issuances using instruments such as: Treasury locks, caps, and collar agreements. Pacific Generation is also requesting that its use of such authority not be considered as separate debt for purposes of calculating its remaining financing authorization hereunder, since the use of such interest rate management contracts would not affect the amount of the underlying securities issued. Furthermore, given the structure imposed through the special limitations and restrictions proposed below, Pacific Generation requests the flexibility to enter into other hedging and interest rate swap arrangements not specifically described in this application. Collectively, these instruments are referred to as the interest rate hedges.

In order to reduce exposure to interest rate risk, Pacific Generation may negotiate a maximum rate, usually called a cap. In that case, even if floating rates increase above the cap or ceiling rate, Pacific Generation would pay only the ceiling rate. In addition to the ceiling rate, sometimes the counterparty to the contract desires to have a floor rate. In the event that the floating rate falls below the floor rate, Pacific Generation would pay the floor rate. Such floor and ceiling rates are called interest rate collars because the interest rate fluctuates within a band which is negotiated between Pacific Generation and the counterparty.

From time to time, Pacific Generation may be able to manage its borrowing costs by issuing fixed or floating rate debt and entering into one or a series of interest rate swap contracts to convert fixed interest payments into floating rate payments or vice versa, or to convert floating rate payments tied to one index (e.g., Secured Overnight Financing Rate or SOFR) into floating rate payments tied to another index (e.g., the Federal Reserve Composite Rate for Commercial Paper). If the resulting interest rate is lower than Pacific Generation could have obtained by issuing a comparable security directly, then the result is a savings for Pacific Generation and its customers.

Swaps may be denominated in U.S. dollars or in a foreign currency. If Pacific Generation enters into a swap denominated in a foreign currency, any exchange risk generally will be hedged through one or more forward contracts or through a currency swap. Swaps would be negotiated with a major financial intermediary (like a commercial bank) or directly with a principal seeking the other side of the swap transaction. The swap contract may specify that the exchange of interest payments will commence either immediately or at a future date.

Contracts for hedging future issuances can take various forms, including Treasury lock, cap, and collar agreements. Treasury lock agreements are used to "lock in" the forward rate of a specified Treasury or other security on which a fixed rate debt financing will be priced at a specific date in the future. Treasury collars and cap agreements are used to limit the maximum interest cost of a debt instrument using the forward rate of a specified Treasury or other security on which a fixed rate debt issuance will be priced at a specified date in the future. In addition to these contracts which hedge the underlying Treasury rate or other index upon which debt issuances are priced, there are also contracts which hedge the overall cost of a debt issuance, not just the underlying index rate. These hedges are accomplished through the use of forward starting swaps, whereby an issuer contracts to pay a predetermined rate at a specified date in the future.

Pacific Generation will enter into these types of swap or hedging contracts only when a future financing is required (such as replacement of a maturing issue).

Pacific Generation proposes to comply with the following restrictions regarding swap and hedging transactions entered into, pursuant to its requested authority:

- Pacific Generation will separately report all interest income and expense (as recorded for ratemaking purposes) arising from all swap and hedging transactions in its regular report to the Commission.
- At no time will swap and hedging transactions exceed 20 percent of Pacific Generation's total long-term debt outstanding.

- All costs associated with hedging transactions are subject to review in Pacific Generation's next regulatory proceeding addressing its cost of capital.
- If Pacific Generation elects to terminate a swap or hedging transaction before the original maturity or the swap or hedging partner terminates the agreement, all costs associated with the termination will be subject to review in Pacific Generation's next cost of capital proceeding.
- Swap and hedging transactions, and other derivative financial instruments carrying potential counterparty risk which Pacific Generation receives in connection with long-term debt, must have counterparties with investment-grade credit ratings.

In addition, Pacific Generation will maintain and make available, within 30 days of request, the following:

- A report analyzing swap and hedging transactions including all costs associated with the swap and hedge in comparison to a projection of all-in costs without such interest rate risk management transactions.
- A complete copy of executed swap and/or hedging agreements and all associated documentation.

The terms and conditions of swaps and hedges will be determined by Pacific Generation according to market conditions at the time such transactions are negotiated. Interest rate hedges entered into by an affiliate may be guaranteed by Pacific Generation.

2. Pacific Generation's Requested Authorizations to Issue Short-Term Debt Securities

Pacific Generation requests authority to issue, sell and deliver, or otherwise incur up to $1.2 billion in short-term debt authority for its working capital and other short-term liquidity needs as part of and following consummation of the Proposed Transaction. The amount of this authorization aligns with benchmarking against the credit facilities in place at utilities considered comparable to Pacific Generation, based on standard measures—such as rate base—and is a conservative approach intended to give Pacific Generation flexibility to manage liquidity needs and maintain a

contingency for unforeseen needs. The amount of this authorization would be inclusive of amounts allowed, pursuant to Pub. Util. Code Section 823(c).

Consistent with PG&E's prior short-term debt authorizations (see D.21-05-008; D.20-05-053), and as described in greater detail below, Pacific Generation requests authorization to issue various types of short-term Debt Securities, including: direct loans, revolving credit facilities, term loan facilities and letter of credit facilities, accounts receivable financing, commercial paper, and extendible commercial notes. Credit facilities for these purposes may be established through several types of structures, the most typical being bank revolving loan (including Letters of Credit (LOC)) and term loan facilities, and customer accounts receivable financing. As noted, Pacific Generation also seeks authorization, in connection with the issuance of Debt Securities, to: (a) guarantee the securities and other debt instruments of regulated direct or indirect subsidiaries or affiliates of Pacific Generation (such subsidiaries and affiliates generally referred to herein as "affiliates") or of governmental entities that issue securities on behalf of Pacific Generation; (b) execute and deliver one or more indentures or supplemental indentures and other instruments evidencing or governing the terms of Debt Securities; and (c) sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property, including but not limited to its accounts receivable.

There are a variety of structures involving customer accounts receivable financing, including structures in which the receivables are the collateral against which borrowings or LOCs can be drawn, or the receivables are sold to a subsidiary or third party that then uses the receivables as collateral for borrowings and LOCs. Pacific Generation anticipates that in this latter structure, the transaction would be structured to be a true sale for bankruptcy purposes and debt for financial reporting and tax purposes, although other structures may be developed. Credit facilities typically involve multi-year agreements. Since borrowings under these facilities are intended to manage variations in short-term cash flow, and not as a permanent source of financing for long-term assets—such as rate base—

consistent with PG&E's past practice,[16] Pacific Generation proposes to treat all such borrowings as short-term debt for ratemaking purposes, which will be excluded from Pacific Generation's ratemaking capital structure.

Pacific Generation expects to implement one or more of the structures described in order to optimize the terms and amount of credit facilities and to ensure adequate short-term liquidity. Any such credit facilities or other short-term Debt Securities could be secured or unsecured.

a. Direct Loans

Pacific Generation anticipates that from time-to-time it may be advantageous to borrow directly from financial institutions—such as banks, insurance companies, or other financial lenders. Pacific Generation generally would enter into such loans when the loans were designed to result in an overall cost of money lower than that available through the issuance of other forms of Debt Securities or when necessary or advisable as an interim arrangement or for other reasons. Such loans could be either secured (including through a first mortgage bond structure) or unsecured.

b. Revolving Credit and Letter of Credit Facilities

Pacific Generation may enter into revolving credit facilities and letter of credit facilities with financial institutions such as banks or other financial lenders. These facilities may be used for direct borrowings, letter of credit issuance, or as a backstop for commercial paper, among other uses. Any such revolving credit and letter of credit facilities could be secured (including through a first mortgage bond structure) or unsecured.

c. Accounts Receivable Financing

Pacific Generation may obtain financing through the issuance of Debt Securities secured by a pledge, sale, or assignment of its accounts receivable. See Sections E.1.a.6) and E.3. for a discussion of accounts receivable financing in connection with Pacific Generation's request for authority pursuant to Pub. Util. Code § 851.

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16 E.g., D.04-10-037 at 12.

d. Commercial Paper and Extendible Commercial Notes

If Pacific Generation's credit rating permits, Pacific Generation may issue short-term Debt Securities as commercial paper, including the refunding or rolling over of previously issued commercial paper. The commercial paper may be sold privately or publicly in the domestic or foreign capital markets. The commercial paper may be sold through placement agents that market commercial paper on a reasonable efforts basis or may be sold directly to investors.

Although it may issue commercial paper without separate liquidity support if possible and cost-effective to do so, Pacific Generation anticipates it or an affiliate (acting at Pacific Generation's direction) will arrange a credit agreement with banks or other financial institutions to provide liquidity support for its commercial paper indebtedness. Pacific Generation or its affiliate may from time to time make modifications to the credit agreement terms and conditions. In addition, one or more new financial institutions may be added to or substituted for institutions initially participating in the credit agreement, and one or more of these institutions may be removed or have their respective percentage participation adjusted. At the expiration of the credit agreement, Pacific Generation or its affiliate may renew or replace it. To the extent that commercial paper is backed by a credit facility, to avoid double counting the commercial paper and contingent support facilities associated with such paper, the commercial paper issued would be counted against available short-term debt authorization, and any supporting credit facility would not be counted against the authorization requested hereunder.

The cost of commercial paper will include the effective yield, plus any expenses associated with issuing commercial paper. These expenses include, but are not limited to: dealer commissions, issuing and paying agent fees, and credit agreement fees. Pacific Generation may also issue extendible commercial notes, which are very similar to commercial paper but do not necessarily require the support of a credit agreement. Generally, the notes would be issued with a maturity of less than 364 days, but may be extended at maturity for a period in excess of one year if not paid or remarketed. Nonetheless—and consistent with

D.09-05-002, D.04-10-037, and D.00-04-057—extendible commercial notes would be treated for all purposes as short-term debt.

3. Section 851 Authorization for Secured Debt

Pacific Generation requests authority under Pub. Util. Code § 851 to encumber utility property in connection with the short- and long-term Debt Securities already described. Specifically, Pacific Generation requests authority to secure the aforementioned Debt Securities by:

1) A mortgage on Pacific Generation's property, including by issuing collateral mortgage bonds or first mortgage bonds;
2) A pledge of Pacific Generation's accounts receivable, including related collateral pledged under accounts receivable facilities, such as:
    a) Security interests securing payment of such accounts receivable;
    b) Guarantees, LOCs, LOC rights, supporting obligations, insurance and other agreements or arrangements supporting the payment of such accounts receivable;
    c) Service contracts and other agreements associated with such accounts receivable;
    d) Records related to such accounts receivable; and/or
    e) Proceeds of any of the foregoing; and/or
3) A lien on Pacific Generation's property or another credit enhancement arrangement.

With respect to accounts receivable financing, Debt Securities are secured by a pledge, sale, or assignment of the utility's customer accounts receivable. Pacific Generation anticipates that, if it pursues any transaction comprising an accounts receivable financing, it would be structured to be a true sale for bankruptcy purposes and debt for financial reporting and tax purposes, although other structures may be developed using accounts receivable as security or collateral. In one potential structure of an accounts receivable financing, Pacific Generation may create a subsidiary that purchases accounts receivable from Pacific Generation and pledges them as collateral, and Pacific Generation may pledge the equity interests in this subsidiary. Should any such transaction be structured whereby Pacific Generation does not act as servicer (or does not appoint PG&E to act as sub-servicer) of the accounts receivable facility, Pacific Generation (or

PG&E) may be required to enter a performance guaranty of the obligations of the servicer and hereby request authorization to do so. Pacific Generation also seeks authorization to execute and deliver one or more: indentures or supplemental indentures, mortgages, security agreements, pledge agreements, and such other collateral documents or instruments to secure the Debt Securities authorized by the Commission in this proceeding.

4. Features to Enhance Debt Securities

Pacific Generation hereby requests authorization to include at its discretion one or a combination of the following additional features in Pacific Generation or affiliate Debt Securities. Such features will be used as appropriate to improve the terms and conditions of the Debt Securities and to lower Pacific Generation's overall cost of financing for the benefit of customers.

a. Credit Enhancements

Pacific Generation may obtain credit enhancements for Debt Securities, such as letters of credit, standby bond purchase agreements, surety bonds or insurance policies, or other credit support arrangements. Such credit enhancements may be included to reduce interest costs or improve other credit terms, and the cost of such credit enhancements would be included in the cost of the Debt Securities. Pacific Generation may also provide mortgage security as a form of credit enhancement for Debt Securities. Debt used as credit enhancement would not count against the amount of debt authorized under this application, as long as there was no possibility that such credit enhancements would ever increase the amount of Pacific Generation's debt obligations (see D.08-10-013).

b. Redemption Provisions

The terms of any Debt Securities may contain a provision allowing such Debt Securities to be redeemed or repaid prior to maturity, or mandating such redemption or repayment prior to maturity. An early redemption provision may allow the Debt Securities to be redeemed or repaid at any time, or it may allow the Debt Securities to be redeemed or

repaid only after a certain period. In either case, the Debt Securities would be redeemable at par, at a premium over par, or at a stated price.

c. Put Options

Pacific Generation anticipates that from time to time the cost of Debt Securities may be reduced by the inclusion of a put option. This would allow the holders of Debt Securities to require Pacific Generation or an affiliate to repurchase all or a portion of each holder's securities prior to the original maturity, including on the happening of an event or condition. This is the reverse of an optional redemption provision whereby Pacific Generation or an affiliate would have the right to redeem or repay Debt Securities prior to maturity. Debt holders may be willing to accept a lower interest rate in exchange for the protection that a put option offers them.

d. Sinking Funds

Pacific Generation anticipates that from time to time the cost of Debt Securities may be reduced by the use of a sinking fund. A sinking fund may require Pacific Generation periodically to redeem, repurchase, or retire a specified principal amount of Debt Securities.

e. Tax-Exempt Financings

Pacific Generation anticipates that from time to time the cost of Debt Securities may be reduced by issuing them through a governmental body, political subdivision, or other conduit issuer, thereby obtaining tax-exempt status for the securities. Pacific Generation anticipates using the tax-exempt option when its facilities—such as: pollution control and sanitary and solid waste disposal, or other eligible facilities—qualify for tax-exempt financing under federal law and it can obtain the necessary state of California approvals for the issuance of tax-exempt debt. In order to obtain the benefits of tax-exempt financing, Pacific Generation proposes to engage in one or more financings structured substantially as follows:

A governmental body would issue and sell one or more series of its bonds, notes, debentures or other securities for the benefit of Pacific

Generation to one or more underwriters or initial purchasers who would ultimately market such securities to investors.

Concurrent with the sale and delivery of such governmental securities and in consideration for the proceeds of the governmental securities, Pacific Generation would enter into a loan agreement, installment sale agreement, or other agreement governing the terms of secured or unsecured Debt Securities issued by Pacific Generation with the issuer of these governmental securities.

The obligations of Pacific Generation would be substantially consistent with the terms and conditions of the governmental issuer's securities, and Pacific Generation would be the obligor with respect to the issuer's payment obligations to its debt holders and/or unconditionally guarantee the issuer's payment obligations.

f. Warrants

Pacific Generation anticipates that from time to time the cost of Debt Securities may be reduced by attaching warrants to such securities. Each warrant would entitle the holder to purchase an additional bond, note, or debenture or Pacific Generation Equity Interests. The Debt Security to be issued upon exercise of a debt warrant would bear interest at a pre-established rate and would mature at a pre-established time. No additional underwriting fees would be incurred upon exercise of the warrants. Debt warrants would most likely be exercised if interest rates decline below the pre- established rate and would most likely expire unexercised if rates remain above the pre- established rate. Equity warrants would most likely be exercised if the equity price rose above a pre-established price and would most likely expire unexercised if the equity price remained below the pre-established price. Pacific Generation believes there are times when investors value warrants to the advantage of the issuer. The higher the value placed on the warrants, the greater the potential savings to Pacific Generation and its customers. Even if the warrants are exercised, Pacific Generation and its customers could still realize savings because of the premium received from the sale of the warrants.

5. Use of Proceeds

Pacific Generation requests authority to use the proceeds from the issuance of long-term Debt Securities requested in this application for the purposes permitted by Pub. Util. Code Section 817, in addition to the payment of accrued interest, if any, and payment or discharge of obligations incurred for expenses incident to their issuance and sale. These purposes include:

a) Acquisition of property;
b) Construction, completion, extension, or improvement of its facilities;
c) Improvement or maintenance of its service;
d) Discharge or lawful refunding of its obligations;
e) Reorganization or readjustment of its indebtedness or capitalization upon a merger, consolidation, or other reorganization;
f) Retirement of or in exchange for one or more outstanding stocks or stock certificates or other evidence of interest or ownership of such public utility, or bonds, notes, or other evidence of indebtedness of such public utility, with or without the payment of cash; and
g) Reimbursement of moneys actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness of the public utility, for any of the aforesaid purposes except maintenance of service and replacements.[17]

Pacific Generation anticipates using proceeds from the financing requested in Item (1), above—i.e., the initial issuance of up to $2.1 billion in long-term debt—for its capitalization as part of the Proposed Transaction and reorganization of PG&E, pursuant to Pub. Util. Code sections 817(f) and other statutorily authorized purposes. As discussed above and in Chapter 1, in connection with the reorganization these debt proceeds would be repatriated to PG&E to support PG&E's capital expenditure program in 2024 and beyond and enable PG&E to: (a) allow some of its existing debt to

[17] The amounts so reimbursed will become a part of Pacific Generation's general treasury funds. See D.05-04-023.

mature[18] and to forbear from issuing new long-term debt to replace it; and/or (b) forbear from issuing new incremental long-term debt to finance PG&E's near term rate base investments. Depending on the timing of the closing of the Proposed Transaction in relation to the maturity schedule for PG&E's existing long-term debt, PG&E may temporarily use short-term debt to retire maturing long-term debt. PG&E may then retire such short-term debt, with the long-term debt proceeds repatriated to PG&E in connection with the reorganization of PG&E. PG&E therefore requests authority pursuant to Pub. Util. Code section 823(d) for such a scenario.

Pacific Generation anticipates using proceeds from the financing requested in Item (3), above—i.e., the issuance of up to $350 million in long-term debt beyond Pacific Generation's initial capitalization as part of the Proposed Transaction—primarily to fund Pacific Generation's anticipated capital expenditures over the 2024-2026 period, to reimburse Pacific Generation for money it has expended for those purposes, or in connection with the retirement of existing long-term debt of Pacific Generation, pursuant to Pub. Util. Code Sections 817(a)–(d), (g), (h).

6. Reporting Requirements

The Commission's General Order (GO) 24-C requires utilities that issue debt or equity to submit semi-annual reports to the Commission that contain, among other things, the following information: (1) the amount of debt issued by the utility during the applicable period; (2) the total amount of debt outstanding at the end of the applicable period; and (3) the purposes for which the utility expended the proceeds realized from the issuance of debt during the applicable period. As required by GO 24-C and D.12-06-015, Pacific Generation will provide these periodic reports to Commission staff. Pacific Generation also acknowledges that certain transactions entered into pursuant to its requested authorizations will be subject to the Commission's Financing Rule promulgated in D.12-06-015 (which includes corrections promulgated under D.12-07-003) and subject to certain reporting requirements, with which Pacific Generation will comply.

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18 Alternatively (or in addition), PG&E might retire this or other long-term debt before it matures through a tender offer, repurchase or redemption, or an exchange offer for new Pacific Generation long-term debt.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 7

IMPACT OF THE TRANSACTION ON PG&E AND RATES

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 7
IMPACT OF THE TRANSACTION ON PG&E AND RATES

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 7
IMPACT OF THE TRANSACTION ON PG&E AND RATES

A. Introduction (*J. Plaster; M. Becker*)

This chapter of testimony describes the anticipated financial impact of the Proposed Transaction on Pacific Gas and Electric Company (PG&E) and rates. Specifically, this chapter supports the following conclusions:

- In light of the Proposed Transaction's size—relative to PG&E as a whole—it is not anticipated to have any material effect on PG&E's credit metrics or result in any change to PG&E's credit ratings;
- The Proposed Transaction is consistent with, and will support, PG&E's overall deleveraging plans;
- Pacific Generation LLC (Pacific Generation) will have long-term debt costs that are comparable to or lower than PG&E's, so the Proposed Transaction will not increase the incremental cost of debt for customers, and thus, will not lead to a higher overall cost of long-term debt, as compared to a no-transaction scenario; and
- The Proposed Transaction will not result in an increase in rates.

B. The Proposed Transaction Will Not Adversely Affect PG&E and Rates

1. No Negative Impact on PG&E's Credit Rating (*J. Plaster*)

As explained in detail in Chapter 1, PG&E has a strong rationale for pursuing the Proposed Transaction in light of its distinct advantages over the other potential options available to PG&E for raising capital to support its capital expenditure program. As a result, I anticipate that consummation of the Proposed Transaction would have either a neutral or slight positive effect on PG&E's overall credit ratings and financial condition. This conclusion is supported by a few factors.

First, the non-nuclear generation assets that PG&E proposes to transfer to Pacific Generation, which are described in more detail in Chapter 2, represent just a small portion of PG&E's overall rate base—only about 7 percent. Moreover, PG&E will continue to own a majority interest in Pacific Generation and, through that ownership, an indirect interest in the assets transferred to Pacific Generation. Thus, the sale of the Minority

Equity Interests to Minority Investor(s) would be equivalent to approximately 3.5 percent of PG&E's rate base, which is a small percentage compared to the enterprise as a whole.

Second, the Proposed Transaction will not have a material effect on PG&E's credit metrics. As explained further in Chapter 6, PG&E's management is refining financial projections for Pacific Generation as a separate legal entity. This work also involves refining projections for PG&E following consummation of the Proposed Transaction at the end of 2023, i.e., assuming the transfer of assets to Pacific Generation and sale of Minority Equity Interests to Minority Investor(s). PG&E's projected credit metrics do not materially change with and without the Proposed Transaction, given the overall size of the monetized interest relative to the broader enterprise at PG&E.

Reviewing PG&E's financial model and credit metrics, I do not anticipate that the Proposed Transaction will have a material impact on the credit metrics the rating agencies will use to evaluate PG&E. Thus, I fully expect there to be no negative change to PG&E's credit ratings as a result of the Proposed Transaction.

A utility's credit rating is closely tied to and is often determinative of its cost of borrowing. In addition to no change in PG&E's credit ratings, I also do not expect any change to PG&E's cost of borrowing as a result of the Proposed Transaction, all else equal. PG&E's credit ratings and cost of debt largely reflect expectations regarding PG&E's ability to withstand an adverse financial event, which would not be materially changed by the formation of Pacific Generation as a standalone generation utility.

2. The Proposed Transaction Supports and Will Not Negatively Impact PG&E's De-Leveraging Plans (*M. Becker*)

Deleveraging is a critical priority for both PG&E and PG&E Corporation. Upon emergence from bankruptcy reorganization, PG&E and PG&E Corporation have pursued a variety of deleveraging strategies consistent with Decision (D.) 20-05-053, including PG&E's rate-neutral securitization transaction. As discussed in more detail in Chapter 1, the Proposed Transaction will serve as an efficient source of equity capital and, as a

result, it is both consistent with and supportive of PG&E and PG&E Corporation's overall deleveraging plans and trajectory.

Indeed, the Proposed Transaction will help fund PG&E's capital budget and near-term critical infrastructure investments. Absent the Proposed Transaction as a source of capital, in addition to other potential sources, PG&E would need to consider retaining more of its earnings to fund its capital budget and rate base growth. As a result, there would be less capital available for deleveraging the enterprise, including at PG&E Corporation. And paying down PG&E Corporation's debt balance is a critical element of PG&E and PG&E Corporation's overall deleveraging plans. PG&E Corporation's debt burden currently serves as a drag on its credit ratings, though PG&E Corporation aims to repay approximately $2 billion in holding company debt by year-end 2023. This will go a long way toward helping PG&E and PG&E Corporation return to investment-grade issuer credit ratings.

The California Public Utilities Commission (Commission) also granted PG&E a 5-year waiver of its regulated capital structure in D.20-05-053, with an expectation that PG&E expeditiously pay down non-traditional utility debt and rebalance its capital structure. See D.20-05-053 at 84–85. As discussed in Chapter 6, PG&E expects Pacific Generation to be capitalized consistent with a regulated capital structure that consists of 52 percent equity and 48 percent long-term debt. Doing so will not have a material adverse effect on PG&E's actual capital structure or its projections for regaining alignment with its regulated capital structure before the expiration of the waiver.

3. The Proposed Transaction Will Not Result in an Overall Increase in Costs for Customers (*M. Becker*)

PG&E does not expect the Proposed Transaction to increase rates. The Proposed Transaction involves a corporate reorganization and the sale of a minority interest in a new, generation-only utility subsidiary of PG&E. Although rates will be set for both PG&E and Pacific Generation once the Proposed Transaction closes, the closing will not result in any increase in the overall cost of electricity service. In other words, upon consummation of the Proposed Transaction the combined cost of service by PG&E and

Pacific Generation will not increase. Indeed, as discussed in more detail in Chapter 9, Pacific Generation's revenue requirement request is based on PG&E's General Rate Case forecast for Test Year (TY) 2023—essentially the non-nuclear generation component of PG&E's forecast adjusted to also exclude procurement, as such revenue requirement may be modified by the Commission's decision on PG&E's TY 2023 General Rate Case. Implementing the Proposed Transaction will mean that Pacific Generation's new revenue requirement will be established and, as a result, PG&E's revenue requirement will be reduced correspondingly. Moreover, PG&E and Pacific Generation commit not to recover in customer rates third-party advisor and legal costs associated with undertaking the Proposed Transaction. Thus, consummating the Proposed Transaction will not result in an increase in overall costs recovered in rates.

Likewise, and as explained in more detail in Chapter 9, Pacific Generation initially requests the same authorized rate of return as PG&E—the same cost of debt and the same rate of return on equity as the Commission sets for PG&E in the pending TY 2023 cost of capital proceeding. Thus, there would be no change in the collective revenue requirements of PG&E and Pacific Generation upon closing, as compared to a no-transaction scenario. In the future—the timing of which is explained further in Chapter 9—Pacific Generation's authorized cost of debt will reflect Pacific Generation's actual embedded cost of debt. Yet even once that occurs, it will not lead to increased costs as compared to a no-transaction scenario. This is because PG&E and Pacific Generation do not anticipate any increase in the incremental cost of debt for the combined enterprise or in the overall cost of debt as a result of the Proposed Transaction.

As discussed in more detail in Chapter 6, in connection with the closing of the Proposed Transaction, Pacific Generation anticipates issuing up to $2.1 billion in new long-term debt to facilitate the reorganization and capitalize the new utility in line with its regulated capital structure. Although this will involve a significant issuance of new debt, PG&E does not expect it to change the total amount recovered in rates to cover long-term debt costs. Two main factors support this conclusion.

First, PG&E and Pacific Generation expect that Pacific Generation will receive credit ratings on its debt that are either equivalent to or better than PG&E's. Thus, a debt issuance by Pacific Generation—as opposed to PG&E—would result in debt costs that are the same, if not lower, all else equal.

Second, and as important, PG&E has a substantial amount of long-term debt that is currently funding rate base and will mature in 2023 and 2024. Separate from any of PG&E's maturing temporary utility debt—which was issued in connection with the payment of wildfire claims under PG&E's plan of reorganization, and which will be retired in connection with PG&E's rate-neutral securitization transaction (to the extent not already)—PG&E has approximately $1.7 billion in long-term debt maturing in the second half of 2023, and approximately $850 million in long-term debt maturing in early 2024. The Proposed Transaction will enable PG&E to: (a) allow some of this existing debt to mature and be paid off,[1] rather than replaced with the issuance of new long-term debt; and/or (b) forbear from issuing new incremental long-term debt to finance PG&E's near-term rate base investments. Thus, the Proposed Transaction—and in particular, Pacific Generation's initial debt issuance—will displace borrowings that would otherwise be undertaken by PG&E. In other words, looking at PG&E and Pacific Generation collectively, there will not be an increase in the total amount of long-term debt outstanding due to the Proposed Transaction. In this regard, PG&E's scheduled maturities are particularly important because the alignment in timing may facilitate the minimization of expense associated with the retirement of debt that has not yet matured.

In light of the first two points—as compared to PG&E, Pacific Generation will have substantially the same or lower debt costs, all else equal, and the Proposed Transaction will not increase the overall quantum of long-term debt outstanding for PG&E and Pacific Generation—PG&E and Pacific Generation do not anticipate increase in the overall cost of debt recovered in rates. However, as a result of separating PG&E's non-nuclear generation

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[1] Alternatively (or in addition), PG&E might retire this or other long-term debt before it matures through a tender offer, repurchase or redemption, or an exchange offer for new Pacific Generation long-term debt.

business and assets into a stand-alone utility with its own rate base and capital structure, the two utilities will have different actual embedded costs of debt corresponding to each entity's respective debt portfolio and rate base. Chapter 9 discusses in more detail the ratemaking proposal and precise timing of when any such differences would be expressed and take effect in PG&E and Pacific Generation's ratemaking. Conceptually, however, the conclusion that there will be no overall impact on the debt costs recovered in rates from the Proposed Transaction holds.

As discussed in more detail in Chapter 6, interest rates have increased from their historic lows and as a result PG&E anticipates that any new debt it issues in 2023 or 2024—whether to replace existing long-term debt that is maturing or as incremental long-term debt—would be at a higher interest rate than PG&E's current authorized embedded cost of debt (4.17 percent).[2] Indeed, in its recent cost of capital application, PG&E forecasted and requested an authorized cost of debt of 4.3 percent.[3] In a no-transaction scenario, PG&E would issue debt to cover its scheduled maturities and finance incremental rate base investments. The costs associated with these anticipated future debt issuances would be averaged against PG&E's existing portfolio of outstanding long-term debt and the average embedded cost would be applied to PG&E's full rate base (i.e., a rate base that includes PG&E's non-nuclear generation assets).

If the Proposed Transaction closes, however, PG&E would issue comparatively less new long-term debt, whether to replace maturities or as incremental debt to fund rate base growth. Thus, there would be a comparatively smaller effect on the actual embedded cost of debt from new issuances at higher interest rates and this would be applied to a slightly smaller rate base, one that excludes the assets PG&E proposes to transfer to Pacific Generation. Pacific Generation, however, does not have an existing portfolio of outstanding long-term debt and thus its actual embedded cost of debt would reflect only the costs associated with the new debt Pacific Generation intends to issue. In other words, Pacific Generation's actual

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2 See Advice Letter 4275G/5887E (July 22, 2020); see also D.20-05-053.

3 See A.22-04-008 (April 20, 2022) at 2, 12, 15; Chapter 6, *infra*, at n. 2.

embedded cost of debt would largely reflect then-current market rates, but this comparatively higher cost of debt would be applied only to Pacific Generation's significantly smaller rate base. Thus, conceptually and mathematically, there should be no overall effect in terms of the debt costs reflected in rates between the transaction and no-transaction scenarios.

4. Release of Generation Assets From PG&E's Indenture (*M. Becker*)

PG&E also does not anticipate an impact on overall customer rates due to the release of the lien of PG&E's mortgage indenture from the non-nuclear generation assets that will be transferred to Pacific Generation.

Substantially all of PG&E's real property and certain tangible personal property related to its facilities is subject to the lien of a mortgage indenture. Since the non-nuclear generation assets that will be transferred to Pacific Generation are currently owned by PG&E, they are generally subject to the lien of the mortgage indenture. That said, some of the property that will be transferred is "excepted property," and is excluded from and not subject to the lien of the mortgage indenture. Specifically, certain PG&E hydro properties are specified as excepted property under the mortgage indenture. Properties subject to the lien of the mortgage indenture are considered "Mortgaged Property." PG&E's mortgage indenture allows for the issuance of new bonds primarily on the basis of "Property Additions," "Retired Bonds," or the deposit of cash with the Trustee equaling the amount of bonds to be issued. Property Additions consist of specific Mortgaged Property used as the basis for issuance of those bonds (the amount of bonds to be issued equaling not more than 70 percent of the lesser of the cost or fair value of such Property Additions). Bonds may also be issued on the basis of Retired Bonds (i.e., bonds issued but no longer outstanding under the mortgage indenture) in an amount not to exceed the amount of such Retired Bonds.

Based on its evaluation to date, PG&E does not anticipate significant barriers to obtaining the necessary releases under the mortgage indenture for properties subject to the lien of the mortgage indenture that will be transferred to Pacific Generation. PG&E also does not expect associated costs that would affect overall customer rates.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 8

TAXATION

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 8
TAXATION

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 8
TAXATION

A. Introduction

This chapter addresses various tax related aspects of the Proposed Transaction by Pacific Gas and Electric Company (PG&E) to sell the Minority Equity Interests to the Minority Investor(s). This chapter addresses the following topics:

- Section B – Structuring of the Proposed Transaction for income tax purposes;
- Section C – The intended income tax treatment of the Proposed Transaction;
- Section D – The consequences of the Proposed Transaction on taxes other than income taxes; and
- Section E – The impact of the Proposed Transaction on the additional shareholder contributions (Additional Shareholder Contributions) to the customer creditor trust (Customer Credit Trust) in connection with the rate-neutral securitization approved by the California Public Utilities Commission (Commission) in Decision (D.) 21-04-030.

As explained in more detail in this chapter, the tax consequences of the Proposed Transaction should not affect the overall rates paid by customers. In particular, it is expected and intended that the tax basis of the generation assets contributed to Pacific Generation will remain the same after the Proposed Transaction as before the Proposed Transaction and; therefore, will not impact the amount recovered in rates for federal or state income taxes. In addition, taxes other than income tax should not be affected by the Proposed Transaction or, to the extent the Proposed Transaction generates such a tax, it will be borne by the shareholders of the Utility and the Minority Investor(s), not customers. Finally, the Proposed Transaction is expected to accelerate and increase the present value of Additional Shareholder Contributions to the Customer Credit Trust.

B. Structure of the Proposed Transaction

1. Current Structure for Income Tax Purposes

As shown in Chapter 8, Attachment A, the generation assets proposed to be contributed to Pacific Generation are presently owned by PG&E directly. The taxable income generated by those assets is included as taxable income of PG&E and reported on the consolidated tax return filed by PG&E's parent company, PG&E Corporation.

2. Formation of Pacific Generation and Structure of the Sale of Minority Equity Interests in Pacific Generation

As shown in Step #1 of Chapter 8, Attachment A, which reflects the steps to be used to effect the Proposed Transaction (as described herein), Pacific Generation has been formed as a limited liability company that is initially wholly owned by PG&E. In addition, PG&E will form New Holdco, which will also be wholly owned by PG&E. PG&E will contribute the generation assets to Pacific Generation in exchange for all of the Pacific Generation equity interests. PG&E will then contribute one percent (1 percent) of the Pacific Generation equity interests to New Holdco (the New Holdco Contribution). Thereafter, PG&E will sell up to 49.9 percent of the Pacific Generation equity interests to one or more Minority Investor(s).

C. Description of Intended Income Tax Treatment of the Proposed Transaction

1. Formation of Pacific Generation and Contribution of Assets to Pacific Generation

For federal and applicable state income tax purposes, it is intended that, prior to the New Holdco Contribution, Pacific Generation, as a direct, wholly owned limited liability company subsidiary of PG&E, be treated as disregarded from PG&E for income tax purposes (so that all of Pacific Generation's assets, liabilities, income, gain, losses, deductions, and credits be treated as owned, owed or realized by PG&E). New Holdco will elect to be treated as a C-corporation for federal and applicable state income tax purposes effective as of the date of its formation, and will be included in the consolidated tax return filed by PG&E's parent company PG&E Corporation. Upon the New Holdco Contribution, Pacific Generation will have

two regarded entities as owners, and will convert from a disregarded entity to a partnership for federal and state income tax purposes. In connection with the New Holdco Contribution and that conversion, PG&E will be treated, for federal and applicable state income tax purposes, as having contributed: (1) an undivided 99 percent interest in the assets then held by Pacific Generation to the new Pacific Generation tax partnership in exchange for a 99 percent partnership interest therein, and (2) an undivided 1 percent interest in such assets to New Holdco in exchange for all of the equity in New Holdco. New Holdco, in turn, will be treated, for federal and applicable state income tax purposes, as contributing the undivided 1 percent interest in such assets received from PG&E to the new Pacific Generation tax partnership in exchange for a 1 percent partnership interest in Pacific Generation. Pacific Generation, as a tax partnership, would be required to file income tax returns, but Pacific Generation's members would report their distributive shares of Pacific Generation's taxable income on their own tax returns so that the members (rather than Pacific Generation) would pay any tax attributable thereto.

PG&E's and New Holdco's contributions would generally not be expected to result in the recognition of gain or loss for federal or applicable state income tax purposes. PG&E's tax basis in the Pacific Generation Interests would reflect carryover of PG&E's adjusted tax basis in the undivided 99 percent interest in Pacific Generation assets contributed for such Pacific Generation Interests, and New Holdco's tax basis in its Pacific Generation Interests would reflect carryover of PG&E's adjusted tax basis in the remaining undivided 1 percent interest in Pacific Generation assets deemed contributed to New Holdco by PG&E and then deemed contributed to Pacific Generation by New Holdco.

Under the intended tax treatment, the Pacific Generation tax partnership would take a tax basis in the generation assets contributed to Pacific Generation equal to PG&E's adjusted tax basis in those assets immediately prior to their contribution to Pacific Generation and New Holdco. Pacific Generation, in preparing its partnership tax return, would step into PG&E's shoes for purposes of computing its depreciation and amortization deductions with respect to those assets. As a result, the contribution of the

generation assets by PG&E to Pacific Generation and the New Holdco Contribution are not expected to change the federal and applicable state income tax consequences with respect to such assets.

2. Sale of Minority Equity Interests

Under the intended tax treatment, PG&E expects that a sale by PG&E of the Minority Equity Interests to one or more Minority Investor(s) would result in taxable income or gain to PG&E, generally in an amount equal to the excess of the amount realized (including, for that purpose, any reduction in PG&E's share of Pacific Generation's liabilities as determined under the partnership tax rules) over PG&E's adjusted tax basis in the Minority Equity Interests sold. Any such sale would not be expected to affect the tax basis of Pacific Generation's assets.

3. Impact on Customers of the Intended Income Tax Treatment of the Proposed Transaction

- Allocation of Pacific Generation Tax Attributes – PG&E expects that following the sale of the Minority Equity Interests, Pacific Generation will allocate taxable income, deductions, and other tax items between PG&E (and New Holdco) and the Minority Investor(s) in proportion to their respective ownership of Pacific Generation Interests, under Internal Revenue Code (IRC) Section 704. Thus, the taxable income generated by Pacific Generation after the Proposed Transaction will be allocated 50.1 percent to PG&E (and New Holdco) (assuming a sale of 49.9 percent to the Minority Investor(s)).
- Net Operating Losses – PG&E will retain its existing net operating losses, including those that are being used as part of the rate-neutral securitization approved in D.21-04-030. The Proposed Transaction will not impose a change of ownership or other limitation on the use of such net operating losses.
- Tax Basis – The carry-over of adjusted tax basis as described above means that the rate base assets contributed to Pacific Generation will have the same rate base and tax basis for purposes of ratemaking as before the contribution of the assets by PG&E. As a result, Pacific Generation rates will use the same rate base as PG&E used and the

Proposed Transaction will not adversely affect the rates that customers pay for recovery of rate base owned by Pacific Generation after the Proposed Transaction.

- Taxable Gain on Sale of Minority Equity Interests to Minority Investor(s) – The sale of the Minority Equity Interests to Minority Investor(s) is expected to generate taxable gain to PG&E. As discussed below in more detail, all else equal, the gain on the sale to the Minority Investor(s) is expected to generate a taxable gain to PG&E that will accelerate Additional Shareholder Contributions by PG&E's shareholders to the Customer Credit Trust. The Proposed Transaction is not expected to result in a tax burden or tax benefit to customers for ratemaking purposes.
- Deferred Taxes – The Proposed Transaction will not impact the treatment of deferred taxes in rates. The total amount of deferred taxes and their overall treatment in the rate case will not change, but will be incorporated into rates of PG&E and of Pacific Generation based on whether the assets to which the deferred taxes relate are part of the PG&E rate base or the Pacific Generation rate base following the Proposed Transaction. In all events, there will not be an impact to customers.

D. Consequences of the Proposed Transaction on Taxes Other Than Income Taxes

The expected consequences of the Proposed Transaction with respect to non-income taxes are described below. These include property taxes, sales, use, and transfer taxes, and other non-income tax implications.

1. Property Tax Implications.

The assessment of property tax on the assets that will be transferred to Pacific Generation is done under the unitary method. The transfer of the Minority Equity Interests should not trigger any property tax reassessment or property tax. The unitary method will continue to apply after the transfer of assets to Pacific Generation and there should not be an increase in the overall amount of property taxes paid in rates.

2. Transfer and Other Non-Income Tax Implications

Any transfer tax that may apply to the Proposed Transaction will be borne by the shareholders of PG&E and the Minority Investor(s), and not by customers.

PG&E does not believe that non-income taxes and fees, including gross receipts taxes, utility user taxes, and franchise fees, will apply to the transfer of the Minority Equity Interests, or increase as a result of the transfer following the Proposed Transaction, but any such taxes or increase will be borne by the shareholders of PG&E and the Minority Investor(s), and not by customers.

E. Impact of the Proposed Transaction on Additional Shareholder Contributions to the Customer Credit Trust

In D.21-04-030, the Commission authorized the establishment of the Customer Credit Trust to fund credits intended and anticipated to equal the customer charges related to securitizing $7.5 billion of "stress test costs" under Public Utilities Code (Pub. Util Code) Section 451.2(b) following PG&E's emergence from Chapter 11 bankruptcy.[1] As explained more fully in D.21-04-030, the Customer Credit Trust is funded by, among other sources, Additional Shareholder Contributions generated by the impact of certain shareholder-owned tax deductions or net operating losses (Shareholder Tax Benefits) on PG&E's taxable income.[2] These Additional Shareholder Contributions are calculated using a formula that was described in testimony in support of Application (A.) 20-04-023 and attached to PG&E's application (A.) 21-01-004 for a financing order as Attachment 7. The formula was subsequently revised and attached in redline form as Exhibit 2 to PG&E's opening comments in A.20-04-023 to reflect certain modifications made to the formula in connection with D.21-04-030.[3] Attachment B to this chapter contains a clean version of the formula for Additional Shareholder Contributions.

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1 D.21-04-030 at 90 (Ordering Paragraph (OP) 1). D.21-05-015 authorized the issuance of recovery bonds under Pub. Util. Code Sections 850 *et seq.* to recover the $7.5 billion through fixed recovery charges.

2 *Id.* at 91 (OP 4).

3 *Id.* at 67.

In its discussion of the Shareholder Tax Benefits and the generation of Additional Shareholder Contributions, the Commission noted that it would consider the impact on the Customer Credit of proposed transactions.[4] The Proposed Transaction will not impair or limit the Shareholder Tax Benefits. PG&E will retain the Shareholder Tax Benefits following the contribution of the non-nuclear generation assets to Pacific Generation and the Proposed Transaction will not cause a change of ownership under the IRC that could limit the use of net operating losses.

In addition, PG&E has analyzed the impact of the Proposed Transaction on the timing and amount of Additional Shareholder Contributions. The analysis is attached as Chapter 8, Attachment C of this chapter. As shown in that attachment, the impact of the Proposed Transaction is expected to accelerate and increase the present value of the Additional Shareholder Contributions. The analysis is explained in greater detail below.

PG&E used the forecast of contributions from A.20-04-023, which is reflected in Table B-2 of Chapter 8, Attachment B, and prepared a pro forma version with the impact of the Proposed Transaction. The pro forma forecast is attached hereto as Chapter 8, Attachment C. This attachment illustrates the two effects of the Proposed Transaction, and keeps all other aspects of the forecast of contributions constant. The first is a taxable gain upon the sale of Minority Equity Interests. That taxable gain upon the sale will result in an accelerated contribution of the Additional Shareholder Contributions in the near term years (all else equal). The taxable gain will be equal to proceeds of the Proposed Transaction minus PG&E's tax basis in the Minority Equity Interests. The proceeds will consist of: (1) the cash paid by the Minority Investor(s) for the Minority Equity Interests plus (2) the debt of Pacific Generation that is allocated

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4 D.21-04-030 at 70 ("In other words, the Customer Credits will be considered by the Commission in its review of future proposed transactions."); see also *id.* at 88 (Conclusion of Law 4) ("The United States Bankruptcy Code expressly provides that any rate change proposed by a plan of reorganization must be approved by the government regulatory authority with proper jurisdiction. The Commission will avail itself of any and all similar provisions of state and federal law to ensure the Customer Credit Trust operates as intended in any situation where a change of control (for tax purposes) might occur, and should take into account the Customer Credits in any review of future proposed transactions."); *id.* at 93 (OP 16) ("Any future proposed transaction that impacts the Customer Credit shall ensure its continuity for the duration of the period costs are charged to customers.").

to the Minority Investor(s) immediately following the Proposed Transaction under relevant partnership tax rules. In Chapter 8, Attachment C, PG&E has assumed that it sells 49.9 percent of the Minority Equity Interests, resulting in 49.9 percent of Pacific Generation debt being allocated to the Minority Investor(s) under relevant partnership tax rules. Chapter 8, Attachment C does not specify a sales price for the Minority Equity Interests because it is not in PG&E's best interests to disclose an estimated valuation of the Minority Equity Interests in advance of the sale process.

The second effect of the Proposed Transaction is the impact of the deconsolidation of a portion of Pacific Generation assets from the consolidated PG&E group tax return. Instead of 100 percent of taxable income generated by the generation assets in Pacific Generation, PG&E will have 50.1 percent of the taxable income because the Minority Investor(s) will be allocated the remaining 49.9 percent (assuming a sale of 49.9 percent).[5] This has the effect of reducing taxable income used to generate Additional Shareholder Contributions in the years following the sale of the Minority Equity Interests, which reduces, all else equal, the amount of Additional Shareholder Contributions in the years following the sale of the Minority Equity Interests to the Minority Investor(s).

As shown in Chapter 8, Attachment C, the same total amount of $7.590 billion is contributed, but the expected net effect of the Proposed Transaction is a benefit to customers on a present value basis. That is because, so long as a sufficient amount of taxable gain is realized from the Proposed Transaction, it will accelerate Additional Shareholder Contribution that will exceed, on a present value basis, any reduction of Additional Shareholder Contributions in later years due to less taxable income. As shown in Chapter 8,

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5 In preparing the pro forma taxable income projection, PG&E removed 49.9 percent of taxable income associated with the assets to be contributed to Pacific Generation. PG&E did not reduce that taxable income by the allocable share of costs and expenses related to the state wildfire fund that would be attributable to Pacific Generation as a participant in the fund. Such amounts would decrease the impact of the reduction in taxable income as compared to the original forecast and therefore increase the present value of the Additional Shareholder Contributions on a pro forma basis. If the sale itself of the Minority Equity Interests results in corporate alternative minimum tax, it will be borne by the shareholders of PG&E, and not by customers. As explained above, to isolate the impact of the Proposed Transaction, Chapter 8, Attachment C does not reflect any adjustments—including any effect of the corporate alternative minimum tax—to the forecast of contributions from A.20-04-023, other than the two described in this chapter.

Attachment C, under the Proposed Transaction the taxable proceeds from the $1.098 billion of Pacific Generation debt allocated to the Minority Investor(s) (assuming a sale of 49.9 percent) generates sufficient taxable gain to exceed the loss of taxable income in later years, on a present value basis. That amount of taxable proceeds does not include any cash proceeds from the sale of up to 49.9 percent of the Pacific Generation Interests. As shown in Chapter 8, Attachment C, for every $500 million of cash proceeds for the Minority Equity Interests (assuming a sale of 49.9 percent), the net present value benefit to customers increases, with the average increase for each increment shown in Attachment C being approximately $[40] million. PG&E will not consummate the Proposed Transaction unless it receives at least enough taxable proceeds and taxable gain to provide a net present value benefit to customers with respect to the Additional Shareholder Contributions. Thus, the Proposed Transaction will benefit the Customer Credit and Customer Credit Trust.

F. Conclusion

As set forth above, the tax consequences of the Proposed Transaction will not adversely affect the rates paid by customers or contributions to the Customer Credit Trust.

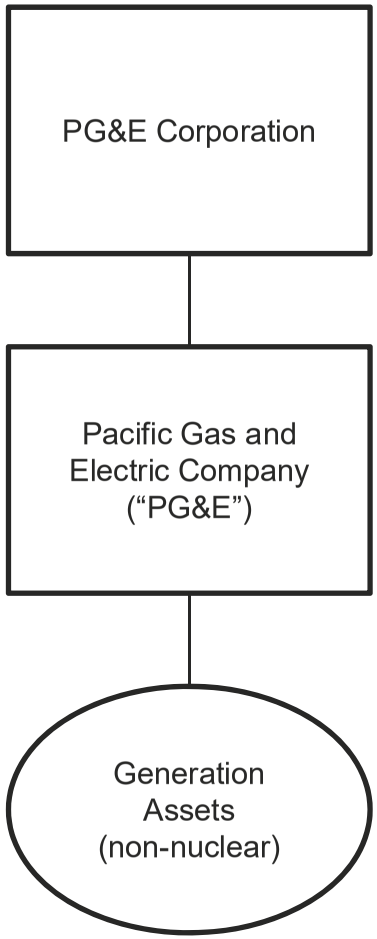
PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 8

ATTACHMENT A

STEP CHART

Illustrative Pre-Transaction Structure*



*All ownership percentages are 100% unless otherwise indicated

Income Tax Entity Classification Key

= Corporation

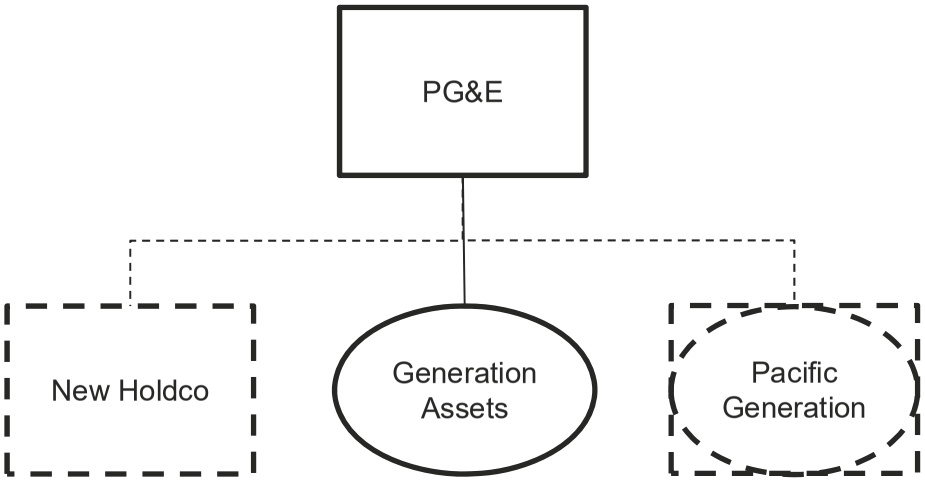
= Partnership

= Disregarded entity

= Unincorporated assets

8-AtchA-1

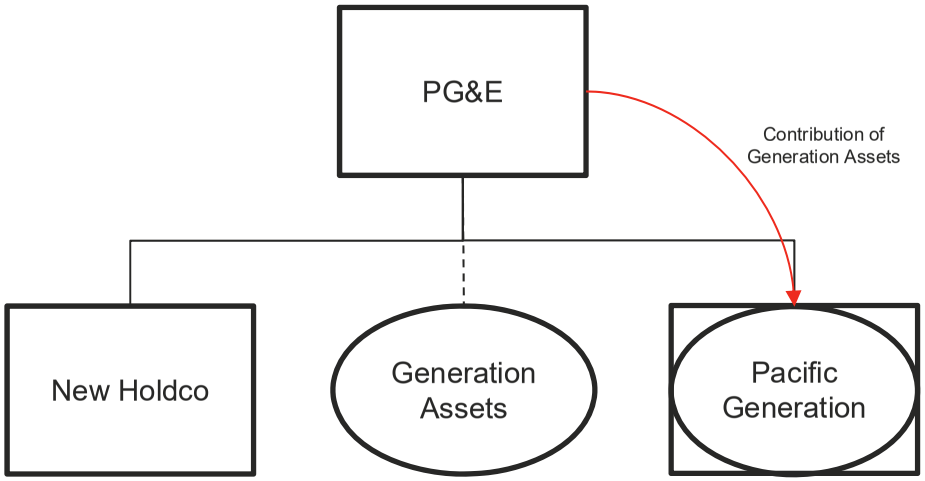
Step #1 – PG&E Forms Pacific Generation and New Holdco



- PG&E forms two new wholly-owned subsidiaries, “New Holdco” and “Pacific Generation”
- New Holdco is an LLC that elects to be treated as a corporation for U.S. federal and applicable state income tax purposes
- Pacific Generation is an LLC that does not elect to be treated as a corporation, and accordingly is disregarded for U.S. federal and applicable state income tax purposes so long as it is wholly-owned

8-AtchA-2

Step #2 – PG&E Contributes Generation Assets to Pacific Generation

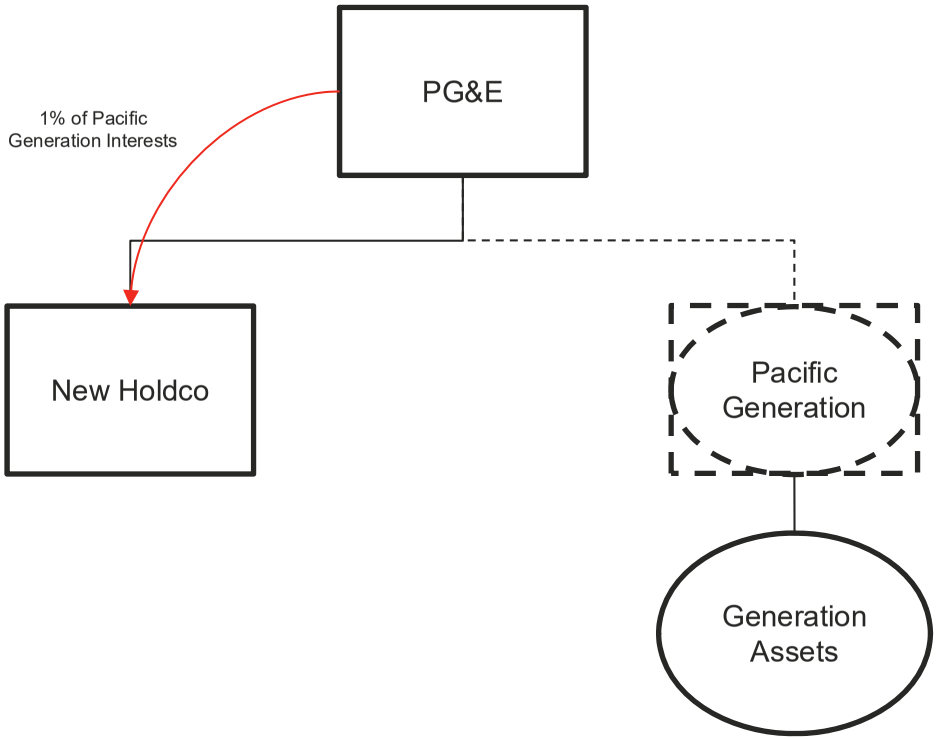


- PG&E contributes all non-nuclear Generation Assets to Pacific Generation

8-AtchA-3

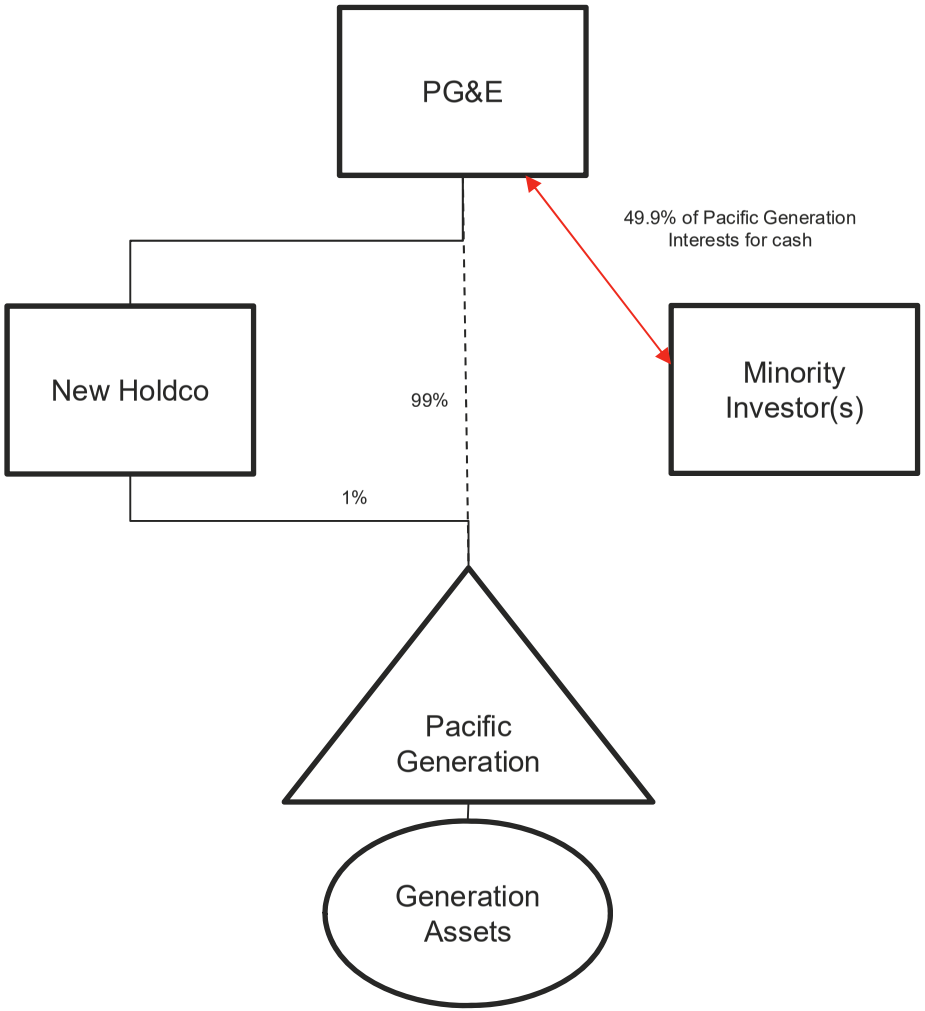
Step #3 – PG&E Contributes 1% of Pacific Generation Interests to New Holdco

- PG&E contributes 1% of Pacific Generation Interests to New Holdco



8-AtchA-4

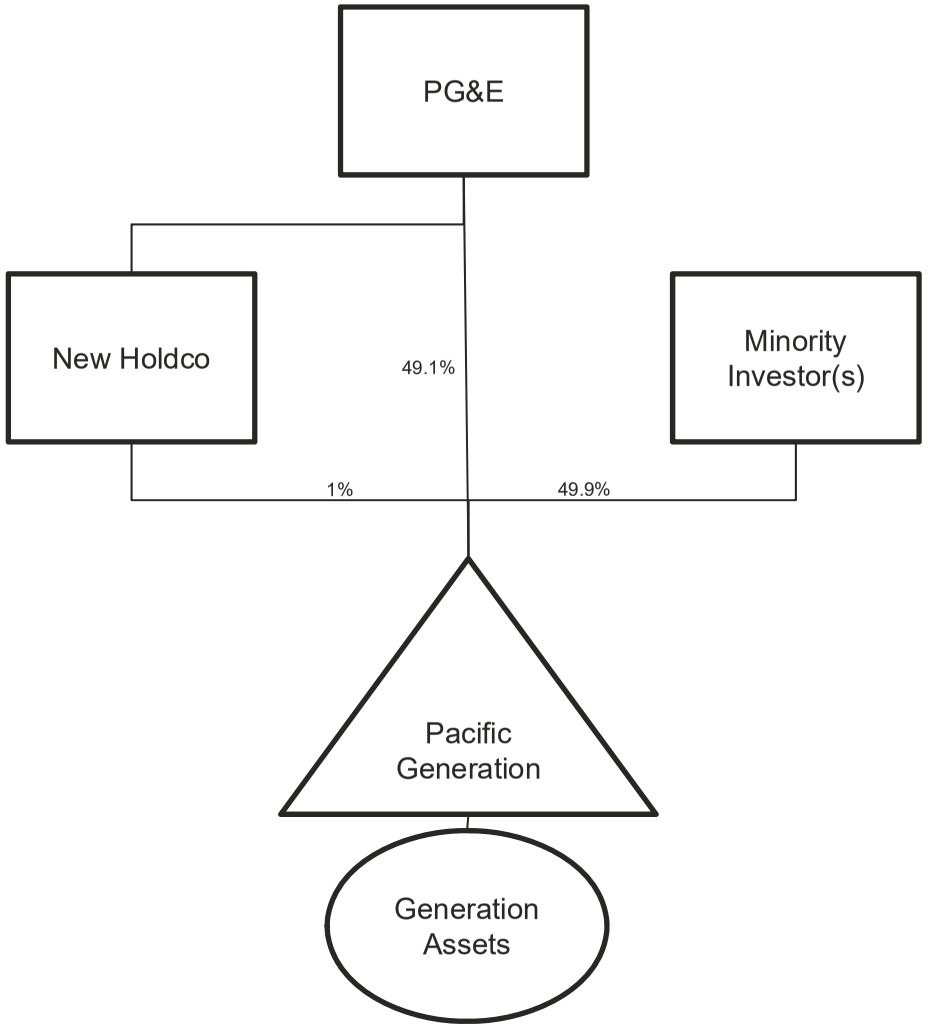
Step #4 – PG&E Sells 49.9% of Pacific Generation Interests to Minority Investor(s)



- PG&E sells 49.9% of Pacific Generation Interests to third party Minority Investor(s) for cash
  - 49.9% of interests could also be sold in multiple steps (e.g., to different buyers, or in multiple sales to same buyer)

8-AtchA-5

Illustrative Resulting Structure



PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 8

ATTACHMENT B

CALCULATION OF ADDITIONAL SHAREHOLDER CONTRIBUTIONS

Attachment B
Formula/Methodology for Additional Shareholder Contributions to Customer Credit Trust

Additional Shareholder Contributions to the Customer Credit Trust

PG&E[1] will make Additional Shareholder Contributions to the Customer Credit Trust up to the Cap by applying an amount of estimated total Shareholder Tax Benefits derived primarily from certain wildfire-related payments, as set forth in Table B-1, lines 1-10.[2]

TABLE B-1
ESTIMATE OF SHAREHOLDER TAX BENEFITS AND RATEPAYER NOLS
AS OF FEBRUARY 18, 2020
(MILLIONS OF DOLLARS)

Line No.	Estimate of Total Shareholder Tax Benefits			
1		**2020E Federal**	**2020E State**	**Total**
2	Wildfire Claims Settlements	($25,500)	($25,500)	
3	Less: Initial Wildfire Fund Contribution[1]	($320)	($4,800)	
4	Less: Ongoing Wildfire Fund Contribution	($192)	($192)	
5	Plus: Insurance Proceeds	$2,200	$2,200	
6	**Total Wildfire Related Tax Deductions Created**	**($23,812)**	**($28,292)**	
7				
8	Existing Shareholder Deductions	$423	$0	
9	Plus: Wildfire Related Deductions Created	$23,812	$28,292	
10	**Total Shareholder Deductions**	**$24,235**	**$28,292**	
11				
12	(x) Applicable Tax Rate	21.00%	8.84%	
13	**Customer Credit Trust CAP**	**$5,089**	**$2,501**	**$7,590**
14				
15				
16	**Estimate of Ratepayer NOLs**			
17		**Pre-2020 Federal**	**Pre-2020 State**	**Total**
18	NOL carryforward at emergence, through 2018	$3,557	$0	
19	NOL carryforward at emergence, 2019	$1,904	$1,911	
20	**Total Ratepayer NOLs**	**$5,462**	**$1,911**	
21				
22	(x) Applicable Tax Rate	21.00%	8.84%	
23	**Total Tax Deductions Savings**	**$1,147**	**$169**	**$1,316**

[1]The $4.8B deduction for the state contribution to the AB1054 Wildfire Fund is assumed to occur in 2020. The full value of the deduction is counted towards the cap regardless of whether the deduction is taken immediately or amortized.

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1 Capitalized terms used but not otherwise defined herein have the meanings given to such terms in the Decision granting Application (A.) 20-04-023.

2 PG&E prepared this estimate in February 2020 and provided it on a confidential basis to parties in connection with the CPUC proceeding considering PG&E's Plan (Investigation (I.) 19 09 016). *See* PG&E's Second Omnibus Supplemental Data Response, Attachment PlanOfReorganizationOII-2019_DR_MISC_Atch01CPUC financial package 2.18.20_Updated_Confidential.xlsx, Tab 12 (served Feb. 19, 2020 in I.19-09-016).

Table B-1 above sets forth the maximum amount of cash that may be contributed from these Shareholder Tax Benefits at $7.59 billion, i.e., the Cap (*see* Table B-1, line 13). The Cap is equal to the total cash tax savings estimated as of February 18, 2020 resulting from the application of (i) $23.812 billion in federal deductions or NOLs, and $28.292 billion in state deductions or NOLs, for wildfire-related payments (lines 2-4) as reduced by insurance proceeds (line 5) plus (ii) $423 million in pre-existing shareholder federal NOLs unrelated to the wildfire settlements or costs that are being contributed by the shareholders to help fund the Customer Credit Trust (line 8) ("Existing Shareholder Deductions," together with the deductions in line 6, the "Shareholder Deductions"). The total of these federal and state Shareholder Deductions was estimated to be worth $7.59 billion in cash (line 13) using a 21 percent federal and 8.84 percent state tax rate.[3]

A component of the Cap is the tax benefits arising from the Wildfire Claims Settlements set forth on line 2 of Table B-1 in the amount of $25.5 billion. Included in that amount is the value of the common stock of reorganized PG&E Corporation contributed to the Fire Victim Trust (as defined in the Plan), which at Fire Victim Equity Value (as defined in the Plan) is $6.75 billion. On July 1, 2020, in connection with consummating the Plan, PG&E contributed 24.08 percent of the common stock of PG&E Corporation to the Fire Victim Trust. The ultimate amount of that portion of the deduction in line 2 will be the fair market value of the stock either as of the date of emergence (July 1, 2020) if PG&E elects to treat the Fire Victim Trust as a qualified settlement trust for tax purposes, or as of the date or dates of disposition and payment by the Fire Victim Trust if PG&E elects to treat the Fire Victim Trust as a grantor trust for tax purposes, up to a deduction of $6.75 billion, as set forth on line 2 of Table B-1.[4] Regardless of the election for tax purposes, in the event PG&E does not realize the full $6.75 billion of deduction for the common stock contributed to the Fire Victim Trust included on line 2 of Table B-1, PG&E will add additional amounts in line 3 under the Federal column in Table B-1, which will come from deductions resulting from the $4.8 billion Initial Wildfire Fund Contribution for federal taxes. The initial contribution of $4.8 billion will be amortized over fifteen years, meaning that PG&E will deduct $320 million each year from 2020 through 2034 on its federal tax returns. The first of the 15 annual deductions of $320 million in 2020 is shown in line 3 of Table B-1. This would provide

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3 The impact of the state deduction for federal tax purposes is ignored for this calculation—this calculation is purely formulaic in nature.

4 To the extent that PG&E makes the grantor trust election, the timing (but not the amount) of the deduction for both cash contributions to the Fire Victim Trust as well as the PG&E Corporation common stock contribution will be treated for purposes of calculating Additional Shareholder Contributions as having been taken in 2020.

sufficient available deductions such that, assuming sufficient taxable income and assuming the tax rates in line 12 of Table B-1, the deductions (or NOLS) would generate $7.59 billion in Additional Shareholder Contributions. This change only reduces the risk of insufficient deductions (or NOLs). It does not change any other factor that impacts whether the actual amount of Additional Shareholder Contributions will be $7.59 billion.

Formula for Calculating Additional Shareholder Contributions to the Customer Credit Trust

In the proposed methodology for calculating Additional Shareholder Contributions described below, PG&E will apply a multi-step formula to calculate the Additional Shareholder Contributions to the Customer Credit Trust in any given year.[5]

PG&E will make this calculation of Additional Shareholder Contributions by first keeping track of the amount of Shareholder Deductions identified in lines 2-4 (adjusted for insurance proceeds on line 5) and line 8 of Table B-1 that are actually taken on PG&E's tax returns in the aggregate, up to the amount of Shareholder Deductions needed to generate $7.59 billion in Additional Shareholder Contributions using the tax rates in line 12 of Table B-1. In a tax year with positive taxable income, PG&E will assume that certain preexisting NOLs—set forth on lines 18 and 19 in Table B-1—from deductions in prior years that were carried forward as NOLs ("Ratepayer NOLs") and the Existing Shareholder Deductions are applied to reduce taxable income on a first in, first out basis before any other Shareholder Deductions are applied. PG&E will exclude any Ratepayer NOLs generated after 2019 from the calculation. PG&E will then deduct the amount of Ratepayer NOLs and Existing Shareholder Deductions applied from the balance of Ratepayer NOLs and Existing Shareholder Deductions, respectively, available in future years. When Ratepayer NOLs and Existing Shareholder Deductions have been exhausted, PG&E will calculate the amount by which the application of the remaining Shareholder Deductions reduces taxable income. PG&E will then deduct the amount of other Shareholder Deductions applied from the balance of other Shareholder Deductions available in future years. PG&E will multiply the amount by which taxable income has been reduced by the application of Existing Shareholder Deductions or other Shareholder Deductions by the then-applicable tax rate for the year to determine the amount of the Additional Shareholder Contribution. As long as the Recovery

5 This proposed methodology is only for the purpose of calculating the Additional Shareholder Contribution for any year and does not impact PG&E's actual tax returns or the income or franchise taxes for establishing revenue requirements.

Bonds remain outstanding, this calculation will be repeated each year until either the balance of Shareholder Deductions available is zero or the sum of all Additional Shareholder Contributions equals the Cap of $7.59 billion (projected to occur in 2035).

The projection of taxable income, the application of the Ratepayer NOLs and Existing Shareholder Deductions on a first in, first out basis, the application of the remaining Shareholder Deductions, and the corresponding Additional Shareholder Contributions to the Customer Credit Trust is set forth in Table B-2.

TABLE B-2
FORECAST UTILIZATION OF SHAREHOLDER TAX BENEFITS
(MILLIONS OF DOLLARS)

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2	**Federal**											
3	**Consolidated Forecast Taxable Income**	$ (20,599)	$ (1,325)	$ (209)	$ 1,552	$ 1,901	$ 2,112	$ 2,360	$ 2,626	$ 2,914	$ 3,221	$ 3,560
4	Ratepayer NOL, Beginning of Year (BOY)	$ 5,462	$ 5,462	$ 5,462	$ 5,462	$ 4,074	$ 2,376	$ 742	$ -	$ -	$ -	$ -
5	less: Ratepayer NOLs applied	$ -	$ -	$ -	$ (1,387)	$ (1,699)	$ (1,634)	$ (742)	$ -	$ -	$ -	$ -
6	Ratepayer NOL, End of Year (EOY)	$ 5,462	$ 5,462	$ 5,462	$ 4,074	$ 2,376	$ 742	$ -	$ -	$ -	$ -	$ -
7	Shareholder Deductions BOY	$ 24,235	$ 24,235	$ 24,235	$ 24,235	$ 24,070	$ 23,868	$ 23,812	$ 22,666	$ 20,565	$ 18,234	$ 15,657
8	**less: Shareholder Deductions Applied**	**$ -**	**$ -**	**$ -**	**$ (165)**	**$ (202)**	**$ (56)**	**$ (1,146)**	**$ (2,101)**	**$ (2,331)**	**$ (2,576)**	**$ (2,848)**
9	Shareholder Deductions EOY	$ 24,235	$ 24,235	$ 24,235	$ 24,070	$ 23,868	$ 23,812	$ 22,666	$ 20,565	$ 18,234	$ 15,657	$ 12,809
10												
11	**State**											
12	**Consolidated Forecast Taxable Income**	$ (25,868)	$ (1,679)	$ (567)	$ 988	$ 1,322	$ 1,498	$ 1,709	$ 1,937	$ 2,185	$ 2,452	$ 2,907
13	Ratepayer NOL, BOY	$ 1,911	$ 1,911	$ 1,911	$ 1,911	$ 923	$ -	$ -	$ -	$ -	$ -	$ -
14	less: Ratepayer NOLs applied	$ -	$ -	$ -	$ (988)	$ (923)	$ -	$ -	$ -	$ -	$ -	$ -
15	Ratepayer NOL, EOY	$ 1,911	$ 1,911	$ 1,911	$ 923	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16	Shareholder Deductions BOY	$ 28,292	$ 28,292	$ 28,292	$ 28,292	$ 28,292	$ 27,893	$ 26,395	$ 24,686	$ 22,749	$ 20,564	$ 18,112
17	**less: Shareholder Deductions Applied**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (399)**	**$ (1,498)**	**$ (1,709)**	**$ (1,937)**	**$ (2,185)**	**$ (2,452)**	**$ (2,907)**
18	Shareholder Deductions EOY	$ 28,292	$ 28,292	$ 28,292	$ 28,292	$ 27,893	$ 26,395	$ 24,686	$ 22,749	$ 20,564	$ 18,112	$ 15,204
19												
20	Additional Contributions to Trust	$ -	$ -	$ -	$ 35	$ 78	$ 144	$ 392	$ 612	$ 683	$ 758	$ 855

		2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
2	**Federal**										
3	**Consolidated Forecast Taxable Income**	$ 3,793	$ 4,053	$ 4,327	$ 4,616	$ 5,438	$ 5,740	$ 6,038	$ 6,348	$ 6,674	$ 7,017
4	Ratepayer NOL, Beginning of Year (BOY)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	less: Ratepayer NOLs applied	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Ratepayer NOL, End of Year (EOY)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7	Shareholder Deductions BOY	$ 12,809	$ 9,775	$ 6,533	$ 3,071	$ -	$ -	$ -	$ -	$ -	$ -
8	**less: Shareholder Deductions Applied**	**$ (3,034)**	**$ (3,242)**	**$ (3,461)**	**$ (3,071)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
9	Shareholder Deductions EOY	$ 9,775	$ 6,533	$ 3,071	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10											
11	**State**										
12	**Consolidated Forecast Taxable Income**	$ 3,082	$ 3,280	$ 3,489	$ 3,711	$ 3,943	$ 4,169	$ 4,389	$ 4,617	$ 4,856	$ 5,108
13	Ratepayer NOL, BOY	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
14	less: Ratepayer NOLs applied	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	Ratepayer NOL, EOY	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16	Shareholder Deductions BOY	$ 15,204	$ 12,123	$ 8,843	$ 5,353	$ 1,642	$ -	$ -	$ -	$ -	$ -
17	**less: Shareholder Deductions Applied**	**$ (3,082)**	**$ (3,280)**	**$ (3,489)**	**$ (3,711)**	**$ (1,642)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
18	Shareholder Deductions EOY	$ 12,123	$ 8,843	$ 5,353	$ 1,642	$ -	$ -	$ -	$ -	$ -	$ -
19											
20	Additional Contributions to Trust	$ 910	$ 971	$ 1,035	$ 973	$ 145	$ -	$ -	$ -	$ -	$ -

Shareholder Deductions are forecast to be exhausted by 2035, thus the forecast horizon for this schedule is 2020 - 2040
Forecast deductions may not occur as shown on this schedule due to potential changes in taxable income, tax rates and tax law

Lines 3 and 12 of Table B-2 show projected federal and state taxable income or loss before the application of NOL carryforwards. Tax loss is projected from 2020 through 2022. Beginning

in 2023, lines 5 and 8 show the application of the Ratepayer NOLs and Existing Shareholder Deductions to reduce federal taxable income on a first in, first out basis, which results in the generation of the first Additional Shareholder Contribution in 2023 on line 20. Similarly, line 14 shows the application of the Ratepayer NOLs to reduce state taxable income. In 2024, the Ratepayer NOLs are projected to be exhausted for state taxable income, which results in the first application of Shareholder Deductions in line 17 that generates Additional Shareholder Contribution in 2024.

The formula for calculating Additional Shareholder Contributions can be summarized by the following steps:

- Step 1: Taxable income – Ratepayer NOL balance and Existing Shareholder Deductions applied on a first in, first out basis = A. If A > 0, proceed to Step 2.
- Step 2: B = lesser of A or remaining balance of Shareholder Deductions.
- Step 3: C = (B + Existing Shareholder Deductions applied in Step 1) × applicable state or federal tax rate.
- Step 4: Additional Shareholder Contribution = C until aggregate Cap reached (or the Recovery Bonds have been repaid).

Applying this formula, PG&E will continue making contributions to the Customer Credit Trust until the earliest to occur of: (1) Additional Shareholder Contributions reach $7.59 billion; (2) Shareholder Deductions have been fully applied; or (3) the Recovery Bonds have been repaid in full and the Fixed Recovery Charges have ceased.

Additional Notes to Table B-2 and the Formula for Calculation of Additional Shareholder Contributions:

A. Table B-2 reflects the effect of California Assembly Bill (AB) 85, which defers certain state NOLs for 2020, 2021, and 2022. Because PG&E forecasts a state taxable loss for 2020-2022, the deferral required by AB 85 does not affect the application of the Ratepayer NOLs in 2020-2022 or subsequent Shareholder Deductions in Table B-2.

B. The federal CARES Act enacted in March of 2020, which allows five-year carrybacks for NOLs that arose in 2018-2020 and temporarily removes the 80 percent limitation on NOL carryforwards for tax years beginning before January 1, 2021 did not impact PG&E due to the consolidated taxpayer's forecasted inability to utilize NOLs in any of the years provided for in Table B-2.

C. Table B-2 assumes the same tax rates are used in the formula to calculate Additional Shareholder Contributions as are used to calculate the Cap in Table B-1. PG&E will use the actual tax rate applicable at the time of the formula calculation to determine Additional Shareholder Contributions. If the applicable tax rate in the year of the formula calculation is greater or less than the amount that was used in Table B-2 and to set the Cap in Table B-1, the Additional Shareholder Contributions for any particular tax year will be larger or smaller than the projections and the Cap may not be reached at all, or it may be reached sooner or later than projected in Table B-2. In no event will PG&E fund the trust with Additional Shareholder Contributions in excess of the $7.59 billion Cap.

D. PG&E's actual taxable income may vary from the forecast contained in Table B-2. PG&E will use actual taxable income, not the projections in Table B-2, in the formula at the time of the formula calculation to determine Additional Shareholder Contributions. If, however, PG&E elects grantor trust treatment for the Fire Victim Trust, PG&E will use actual taxable income before the impact of any current year deduction related to the contribution of cash or the contribution of 24.08 percent of the common stock of PG&E Corporation to the Fire Victim Trust.

E. PG&E will apply then applicable rules on the use of NOLs in each year in which it calculates Additional Shareholder Contributions. Tax legislation may change the amount and timing of various revenues and deductions on federal or state tax returns, and may therefore impact the amount and timing of taxable income in the future. In addition, a change in state or federal law or a change in ownership under Section 382 of the Internal Revenue Code[6] that limits the use of Shareholder Deductions on PG&E's federal or state tax returns at the time of the formula calculation to determine Additional Shareholder Contributions, will limit the amount of the Additional Shareholder Contributions.

Timing of Additional Shareholder Contributions to the Customer Credit Trust

PG&E can determine its actual taxable income for a given year only after it prepares its federal and state tax returns for that year. In general, PG&E's federal and California tax returns must be filed in the fourth quarter of the year that follows the tax year in question. For purposes of applying the formula, rather than delaying Additional Shareholder Contributions until after the tax returns are completed, PG&E will estimate its taxable income for any tax year by April 15th of that tax year. If the formula calculates an Additional Shareholder Contribution based on the

6 26 U.S.C. § 382.

estimated taxable income, PG&E will make the Additional Shareholder Contribution in four equal installments. The first quarter contribution will be made at the end of April. The remaining three contributions will be made at the end of the second, third, and fourth quarters.

This methodology is illustrated in the following example, where "Y1" indicates a hypothetical year in which Additional Shareholder Contributions are payable based on estimated taxable income for Y1:

April 15 Y1	Apply formula based on estimated taxable income in Y1. Formula indicates Additional Shareholder Contributions of $400 million.
End of April Y1	$100M Additional Shareholder Contribution to Customer Credit Trust
Q2Y1	$100M Additional Shareholder Contribution to Customer Credit Trust
Q3Y1	$100M Additional Shareholder Contribution to Customer Credit Trust
Q4Y1	$100M Additional Shareholder Contribution to Customer Credit Trust

When PG&E finalizes its federal and state tax returns the following year, it will determine its actual taxable income for the prior year and use the formula to calculate the Additional Shareholder Contribution for that prior year using actual taxable income. If PG&E over-contributed funds to the Customer Credit Trust (because, for example, actual taxable income was lower than estimated), no adjustment will be made and the prior-year Additional Shareholder Contribution will be counted in determining whether PG&E has reached the Cap. If PG&E under-contributed to the Customer Credit Trust in the prior year (because for example, actual taxable income was higher than forecast), PG&E will contribute the supplemental Additional Shareholder Contribution to the Customer Credit Trust in the fourth quarter of the year that it files its original tax returns or in quarterly installments the following year (i.e., the year after the original tax returns are filed). If PG&E has no taxable income in a given year, then additional NOLs would be generated in that year, but those new NOLs would not delay the use of Shareholder Deductions in the following or subsequent tax years. As a result, the Additional Shareholder Contribution would be made in the following and subsequent years.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 8

ATTACHMENT C

PRO FORMA CONTRIBUTIONS TO CUSTOMER CREDIT TRUST

Chapter 8, Attachment C

Scenario ($M)	Pacific Generation Interests Sold			Additional Shareholder Contributions														Present Value [2]	Delta
	Equity Proceeds	Proportional Debt [1]	Taxable Proceeds	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total		
A.20-04-023 Forecast	-			35	78	144	392	612	683	758	855	910	971	1,035	973	145	7,590	4,242	
A.20-04-023 Forecast with Transaction (Debt only)	-	1,048	1,048	47	85	131	472	601	671	746	843	897	958	1,022	957	162	7,590	4,260	18
A.20-04-023 Forecast with Transaction (Debt only + 500M Additional Equity Proceeds)	500	1,048	1,548	57	121	130	490	601	672	747	843	898	959	1,023	935	115	7,590	4,288	28
A.20-04-023 Forecast with Transaction (Debt only + 1,000M Additional Equity Proceeds)	1,000	1,048	2,048	85	137	180	537	602	673	748	845	899	960	1,024	833	67	7,590	4,347	58
A.20-04-023 Forecast with Transaction (Debt only + 1,500M Additional Equity Proceeds)	1,500	1,048	2,548	139	127	277	538	604	675	749	846	901	962	1,026	730	18	7,590	4,410	63
A.20-04-023 Forecast with Transaction (Debt only + 2,000M Additional Equity Proceeds)	2,000	1,048	3,048	194	116	373	539	605	676	751	848	902	963	1,028	595	-	7,590	4,472	62
A.20-04-023 Forecast with Transaction (Debt only + 2,500M Additional Equity Proceeds)	2,500	1,048	3,548	239	115	389	539	606	677	751	849	903	964	1,028	530	-	7,590	4,501	29
A.20-04-023 Forecast with Transaction (Debt only + 3,000M Additional Equity Proceeds)	3,000	1,048	4,048	284	115	389	540	606	677	752	849	904	965	1,029	481	-	7,590	4,524	23

Current Authorized Cost of Capital		
Equity	52.00%	10.25%
Preferred	0.50%	5.52%
Debt	47.50%	4.17%
Discount Rate		7.34%

(1) Proportional debt is equal to 49.9% of debt issued by Pacific Generation as of closing

(2) Current authorized cost of capital is used as the discount rate for purposes of calculating the present value

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 9

RATEMAKING

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 9
RATEMAKING

A. Introduction *(S. Maggard)*

This chapter provides an overview of the proposed ratemaking for Pacific Generation LLC (Pacific Generation), including Pacific Generation's Revenue Requirement. This chapter addresses:

- Pacific Gas and Electric Company (PG&E) and Pacific Generation's joint filing of General Rate Case (GRC), Energy Resource Recovery Account (ERRA), and Cost of Capital (COC) applications, including Pacific Generation sponsorship of Pacific Generation-specific chapters of testimony and joint sponsorship of other chapters in those proceedings, as well as Annual Electric True-Up (AET) and other advice letter (AL) filings;
- Pacific Generation's Revenue Requirement, based on cost of service and set through the joint PG&E-Pacific Generation GRC, including: (1) a proposal to set Pacific Generation's initial base GRC Revenue Requirement, based on current, authorized Utility-Owned Generation (UOG) Revenue Requirements and relevant adjustments to remove the nuclear and procurement portions; and (2) an AL process for submitting updated Pacific Generation and PG&E Revenue Requirements based on a final decision approving this application, as well as a further update following a final decision in PG&E's 2023 GRC and/or PG&E's 2023 COC proceeding in the event such decisions post-date a California Public Utilities Commission (CPUC or Commission) decision on this application;
- Pacific Generation's ratemaking treatment of its Revenue Requirement, describing the overall ratemaking approach; and
- The transaction's consistency with the Power Charge Indifference Adjustment (PCIA) and the absence of any negative impact or cost shift to PG&E's departed load customers.

B. PG&E and Pacific Generation's Joint GRC and Other Regulatory Proceedings (*S. Maggard*)

PG&E and Pacific Generation propose to jointly file their GRC Phase 1 and 2, ERRA Forecast, ERRA Compliance, and COC applications, among

others, as well as AET and other AL filings. These joint applications will be submitted on behalf of both utilities, PG&E and Pacific Generation will each sponsor entity-specific chapters of testimony supporting the application as relevant, and both utilities may jointly sponsor other chapters of testimony. This proposal is both practicable and administrable and will most closely resemble current practice. Particularly in light of the relationship between the two utilities and PG&E's continued role in operating Pacific Generation's assets, joint applications by both utilities will facilitate simultaneous and coordinated review by the Commission and interested parties of PG&E's and Pacific Generation's regulatory filings. It also will minimize any associated administrative burdens and make efficient use of the Commission's and parties' resources.

C. Pacific Generation's Revenue Requirements (*S. Maggard*)

Pacific Generation's assets will be regulated by the Commission based on cost of service, just as they are today. In light of PG&E's existing authorized Revenue Requirement for these assets as well as PG&E's request in its 2023 GRC,[1] which includes PG&E's UOG, PG&E and Pacific Generation propose that Pacific Generation's starting Revenue Requirement upon consummation of the transaction will be consistent with the amount ultimately authorized by the Commission in a final decision on PG&E's 2023 GRC. As explained further below, setting Pacific Generation's initial base Revenue Requirement essentially will involve segregating the relevant portion of PG&E's 2023 GRC request, updated to account for the Commission's final decision in that proceeding. This necessarily will result in a corresponding reduction in PG&E's authorized Revenue Requirement, simultaneous with Pacific Generation's Revenue Requirement going into effect, resulting in no net change in overall rates for customers.

This testimony describes the methodology PG&E and Pacific Generation will use for determining the portion of PG&E's GRC request that will move to Pacific Generation. Since PG&E's 2023 GRC remains ongoing and the Commission has not issued a final decision in that proceeding, the Revenue Requirement calculations presented here are based on PG&E's request. In so doing, PG&E and Pacific Generation do not intend to place the substance of PG&E's GRC

[1] A.21-06-021.

request at issue in this proceeding. Rather, PG&E's GRC request—including the portion that would ultimately move to Pacific Generation—will continue to be litigated in Application (A.) 21-06-021 and considered by the Commission in its final decision in that proceeding. The purpose of this testimony is to describe the process PG&E and Pacific Generation propose to use to set Pacific Generation's initial base Revenue Requirement, based on the Commission's final decision in PG&E's 2023 GRC. In its decision on this application, the Commission would approve the methodology to be used for setting Pacific Generation's initial base Revenue Requirement and making corresponding changes to PG&E's Revenue Requirement. This methodology would be implemented via a Tier 2 AL process following the Commission's decision. In light of the timing of a final decision disposing of this application and a final decision on PG&E's 2023 GRC, it may be that PG&E and Pacific Generation would apply this methodology to PG&E's then-current authorized Revenue Requirement at the time Pacific Generation's rates go into effect, with a memorandum account tracking mechanism to true-up Pacific Generation's Revenue Requirement once a final decision on PG&E's 2023 GRC is issued. In such a scenario, there would be at least two implementation ALs—one following a final decision on this application and another following a final decision on PG&E's 2023 GRC.

As described, Pacific Generation's initial base Revenue Requirement will be based on PG&E's GRC, using the existing process and expertise of PG&E's Power Generation organization employees for non-nuclear UOG assets. In addition, Pacific Generation's ongoing Revenue Requirement related to fuel and other variable costs will be set in joint PG&E-Pacific Generation annual ERRA forecast proceedings and reviewed for reasonableness, as well as with respect to certain forced outages, in joint PG&E-Pacific Generation annual ERRA compliance proceedings. Accordingly, upon the closing of the Proposed Transaction and implementation of Pacific Generation's rates, Pacific Generation's total Revenue Requirement would consist of both Pacific Generation's initial base Revenue Requirement (consistent with PG&E's 2023 GRC) and an ongoing ERRA Revenue Requirement (consistent with 2024 ERRA forecast proceeding). Since the 2024 ERRA forecast application has not

yet been filed, this Chapter focuses primarily on Pacific Generation's initial base Revenue Requirement.

The summary table below shows PG&E's GRC electric generation Revenue Requirement request as well as an approximation of PG&E and Pacific Generation's proposed division to implement the Proposed Transaction. Pacific Generation would receive the electric generation Revenue Requirement associated with non-nuclear generation, excluding procurement and any excluded assets, and PG&E would keep the electric generation Revenue Requirement associated with nuclear generation and procurement.[2] PG&E and Pacific Generation are still developing a similar division of PG&E's GRC electric generation Revenue Requirement request for the attrition years.

TABLE 9-1
PG&E 2023 GRC APPLICATION
ELECTRIC GENERATION – SEPARATION OF PG&E AND PACIFIC GENERATION
(THOUSANDS OF DOLLARS)

Line No.		Total GRC (Current PG&E Electric Generation) 2023	Pacific Generation (Non-Nuclear Generation Without Procurement) 2023	Remaining PG&E (Nuclear Generation and Procurement) 2023
1	Operating Expenses	$979,663	$365,099	$614,564
2	Revenue Fees and Uncollectibles less Other Operating Revenue	12,219	2,563	9,656
3	Depreciation and Amortization	722,404	270,108	452,296
4	Fossil, Solar, and Hydro Decommissioning	77,195	77,195	–
5	Taxes (including Income and Property)	195,172	90,386	104,786
6	Return on Ratebase	417,861	254,969	162,892
7	Ratebase	5,692,927	3,473,687	2,219,239
8	Rate of Return (ROR)	7.34%	7.34%	7.34%
9	Total Revenue Requirement in Rates	$2,404,514	$1,060,320	$1,344,194

Note: This table reflects the February 28, 2022 update in PG&E's 2023 GRC (A.21-06-021).

[2] The estimated rate base figure for Pacific Generation in the table includes a small number of generation assets that are either in the process of being sold to third parties by PG&E (such as the Tule and Deer Creek hydro facilities) and others that are not contemplated to be transferred to Pacific Generation as part of the proposed transaction and are not already segregated as in the case of nuclear generation (such as two small solar generation facilities near PG&E's San Francisco service center). The final figure would reflect the rate base of the assets actually transferred to Pacific Generation.

1. Base Revenue Requirements Calculation and Results of Operations Model (*D. Raman*)

Following the transaction, Pacific Generation's GRC Revenue Requirement will be based on PG&E's 2023 GRC[3] authorized Electric Generation Revenue Requirement excluding the Diablo Canyon Power Plant (DCPP) Revenue Requirement and Energy Procurement Revenue Requirement. Starting in 2027, PG&E and Pacific Generation will jointly file their GRC, and a separate Revenue Requirement for Pacific Generation will be calculated in the GRC's Results of Operations (RO) Model. The below section outlines the Revenue Requirement calculation for Electric Generation in the 2023 GRC. PG&E and Pacific Generation intend to use a similar methodology for Revenue Requirement calculation in future GRCs.

The RO calculations at proposed rates for 2023 demonstrate the Revenue Requirement PG&E needs for operating expenses and capital costs. The various chapters in 2023 GRC Exhibit (PG&E-10) describe the development of the inputs to these RO calculations. The following sections provide information that is generally applicable to the input development and to the calculation of the RO.

a. Revenues

The proposed revenues for 2023 are calculated using the cost estimates and inputs explained below.

b. Expense Estimates

The predominant contributors to the operating expense category in the RO calculation are labor expenses and materials and services (also known as non-labor) expenses. Also included in this category are contract, wage-related and revenue-related expenses. The operating expense chapters in 2023 GRC (A.21-06-021) Exhibit (PG&E-10) describe the estimating methods used and the location of the source estimates in this filing.

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3 A.21-06-021.

c. Rate Base and Return on Rate Base

Rate base is defined as: net plant, plus working capital, less accumulated depreciation and related deferred taxes. The rate base is updated with capital additions forecasted for each capital project. Each capital project is based on the total financial cost of the project, as discussed in 2023 GRC (A.21-06-021) Exhibit (PG&E-10), Chapter 11. As required by the Rate Case Plan,[4] the RO calculation uses the ROR and capital ratios determined in the most recent COC decision. PG&E's currently effective ROR was authorized by the Commission in Decision (D.) 19-12-056 and updated by AL 4275-G/5887-E,[5] as shown in 2023 GRC (A.21-06-021) Exhibit (PG&E-10), Chapter 17, starting at Workpaper (WP) 17-22 (electric) and WP 17-115 (gas). PG&E will update the GRC Revenue Requirements for forecast years 2023 through 2026 if the Commission authorizes any changes to the currently-effective COC.

PG&E and Pacific Generation propose that Pacific Generation would initially inherit the Commission's decision in PG&E's Test Year (TY) 2023 COC application (A.22-04-008). For instance, PG&E's authorized ROR, including the cost of long-term debt and ROR on equity, would apply equally to Pacific Generation.[6] Even though Pacific Generation would not have any preferred equity as part of its regulated capital structure, Pacific Generation would initially use the same weighted, consolidated ROR authorized for PG&E. PG&E's TY 2023 COC application presents a forecast that estimates the embedded cost of long-term debt for the enterprise as a whole, and PG&E's forecasted future debt issuances, would support the enterprise as a whole, including Power Generation. Though—as discussed in more detail in Chapter 7—the Proposed Transaction will enable PG&E to: (1) allow

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4 D.89-01-040, Appendix B, p. B-21, ¶¶ 2 and 3; and, D.07-07-004, Appendix A, p. A-30, ¶¶ 2 and 3.

5 AL 4275-G/5887-E, filed, accepted and effective July 22, 2020.

6 The Commission's decision regarding PG&E's request in A.22-04-008 for a Yield Spread Adjustment (i.e., to exceed the Commercial Paper Rate on memorandum and balancing accounts) would likewise apply to Pacific Generation.

some of its existing debt to mature,[7] and to forbear from issuing new long-term debt to replace it; and/or (2) forbear from issuing new incremental long-term debt to finance PG&E's near-term rate base investments. Also, since PG&E and Pacific Generation anticipate that there will be no change to the incremental cost of long-term debt as a result of the transaction—i.e., Pacific Generation is likely to face the same incremental cost of long-term debt as PG&E—initially using the authorized embedded cost of debt established in A.22-04-008 for both PG&E and Pacific Generation is both logical and practicable. Beginning in 2026, PG&E and Pacific Generation would submit a joint COC application that presents entity-specific forecasts for the embedded cost of debt for PG&E and Pacific Generation, respectively. With regard to the ROR on equity, as an investor-owned public utility, Pacific Generation would look to the same proxy group of regulated energy utilities as PG&E; and thus, the same ROR on equity authorized for PG&E should also apply to Pacific Generation.

In the RO model, net return is determined by multiplying the weighted average rate base by the weighted average COC.

d. Depreciation Expense

Depreciation expense is calculated based on the plant in service and proposed depreciation factors in 2023 GRC (A.21-06-021) Exhibit (PG&E-10), Chapter 12. In future GRCs, PG&E and Pacific Generation may update depreciation parameters based on the depreciation study and seek Commission approval.[8]

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7 Alternatively (or in addition), PG&E might retire this or other long-term debt before it matures through a tender offer, repurchase or redemption, or an exchange offer for new Pacific Generation long-term debt.

8 Pacific Generation's Revenue Requirement will be established based on the book depreciation without regard to the step-up basis for 49.9 percent of the assets that will occur from the Proposed Transaction. The step-up in basis constitutes a step-up in basis with respect to the Minority Investor(s) only, does not affect Pacific Generation's basis in its assets, and generally results from taxable gain recognized by PG&E in connection with the Proposed Transaction, the effects of which are discussed in Chapter 8.

e. Decommissioning Expense

In the 2023 GRC, PG&E has included decommissioning expense for certain of its hydro, fossil, and solar facilities. Through its GRC process, PG&E and Pacific Generation will determine any new facilities that may be subject to decommissioning and will update their forecasts accordingly. DCPP decommissioning activities are handled separately through the Nuclear Decommissioning Cost Triennial Proceeding (NDCTP) and will remain unaffected by the Proposed Transaction.

f. Income and Property Taxes

Tax expense is a calculated amount in the RO model using: (1) expenditure estimates; (2) past Commission decisions on how to perform the calculation; and (3) current tax laws. Property taxes are calculated from the net plant balance for each Unbundled Cost Category (UCC) using property tax factors and methods described in 2023 GRC (A.21-06-021) Exhibit (PG&E-10), Chapter 13.

2. Estimating Method (*D. Raman*)

To develop the Revenue Requirement forecast in the 2023 GRC, PG&E conducted RO calculations for the CPUC-jurisdictional functions using the UCC shown in Section D. PG&E removed all Federal Energy Regulatory Commission (FERC)-jurisdictional electric transmission revenues and costs from the GRC Revenue Requirement request.

For each UCC included in PG&E's request, the RO calculation brings together all the forecasts for that UCC into a summary of earnings format. Revenue Requirements are calculated for operating expenses and capital related components. Operations and Maintenance (O&M) expenses[9] and Administrative and General (A&G) expenses[10] are presented at a FERC functional group level and assigned to the associated UCC in the RO model. A&G expenses such as employee medical benefits and real estate building costs are common to all gas and electric functions and are allocated to each UCC based on 2020 recorded labor allocation factors as explained in 2023 GRC (A.21-06-021) Exhibit (PG&E-8). The uncollectible accounts expense

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9 A.21-06-021 Exhibit (PG&E-10), Chapter 3 to 7.

10 *Id* at Chapter 8.

and franchise fees are calculated from revenues for each UCC using factors developed by PG&E using historical averages. Payroll taxes, Business and Other taxes are calculated from the O&M and A&G labor for each UCC using factors and methods developed by PG&E and reviewed by the Commission in the GRC.

Capital Revenue Requirement components include depreciation expense, decommissioning expense, return on rate base, income and property taxes. Return on investment and revenues at proposed rates are calculated separately for each UCC in the RO model. The below table shows the various chapters that explain the various components of Revenue Requirement calculations.

TABLE 9-1
2023 GRC RO CHAPTERS

Line No.	Revenue Requirement Components	2023 GRC (A.21-06-021) Exhibit Chapter Reference
1	O&M Expenses	Exhibit (PG&E-10), Chapter 3-7
2	A&G Expense	Exhibit (PG&E-10), Chapter 8
3	Payroll and Other Taxes	Exhibit (PG&E-10), Chapter 9
4	Depreciation and Decommissioning Expense	Exhibit (PG&E-10), Chapter 11, 12
5	Income and Property Taxes	Exhibit (PG&E-10), Chapter 13
6	Rate base and Working Cash	Exhibit (PG&E-10), Chapter 14 and Chapter 15
7	Revenue Requirement Calculations	Exhibit (PG&E-10), Chapter 17

3. Results of Operations Computer Model (*D. Raman*)

The RO model calculates the cost of service (Revenue Requirement) by cost category by electric and gas distribution, electric generation, Gas Transmission and Storage (GT&S) function. This model is structurally the same as the RO model used in all PG&E GRCs since 2007 and PG&E's 2015 and 2019 GT&S cases. The RO model input is organized by UCC. The presentation of the RO, or in the format of summary of earnings, is shown by electric and gas distribution, electric generation, and GT&S functions. For Electric Generation, the Revenue Requirement is presented for DCPP and Electric Generation excluding DCPP separately.

4. The Unbundled GRC (*D. Raman*)

Consistent with the Commission's decisions regarding electric cost separation (D.97-08-056), the Gas Accord V (D.11-04-031), and PG&E's 2017 GRC (D.17-05-013), PG&E has separated its electric and gas distribution, electric generation (EG) and GT&S ROs into UCCs and computed the Revenue Requirement for each of the functions at issue in the GRC.

PG&E uses the following UCCs shown in Table 9-2 for electric functional areas.

TABLE 9-2
UCC – ELECTRIC

Line No.	UCC	UCC Title	Recovery Mechanism
1	101	EG – Fossil Facilities	GRC – Exhibit (PG&E-5)
2	102	EG – Fossil Transmission	GRC – Exhibit (PG&E-5)
3	106	EG – Other Generation Solar	GRC – Exhibit (PG&E-5)
4	109	EG – Energy Storage	GRC – Exhibit (PG&E-4)
5	120	EG – Hydro Facilities	GRC – Exhibit (PG&E-5)
6	121	EG – Hydro Transmission	GRC – Exhibit (PG&E-5)
7	130	EG – Diablo Canyon Nuclear Generation Facilities	GRC – Exhibit (PG&E-5)
8	131	EG – Diablo Canyon Transmission	GRC – Exhibit (PG&E-5)
9	133	EG – Diablo Canyon Decommissioning	Separate Proceeding (NDCTP)
10	134	EG – Humboldt Unit 3 Safe Storage Costs	Separate Proceeding (NDCTP)
11	135	EG – Humboldt Unit 3 Decommissioning	Separate Proceeding (NDCTP)
12	140	EG – Power Purchase Payments	Separate Proceeding ERRA
13	141	EG – Electric Procurement	GRC – Exhibit (PG&E-5)
14	201	ET – High Voltage Network Facilities	FERC Transmission Owner (TO)
15	202	ET – Low Voltage Network Facilities	FERC TO Tariff Case
16	203	ET – Partnership Agreement Generation-Ties	Separate Proceeding ERRA
17	204	ET – Third-Party Generation-Ties	Special Facilities Contracts
18	301	ED – Wires & Services	GRC – Exhibit (PG&E-4)
19	302	ED – Transmission-Level Direct Connects	GRC – Exhibit (PG&E-4)
20	303	ED – Public Purpose Program (PPP) Administration	GRC – Exhibit (PG&E-6)
21	312[(a)]	ED – Wildfire Mitigation Balancing Account Capital not yet securitized (Assembly Bill (AB) 1054)	GRC – Exhibit (PG&E-4)
22	313	ED – Energy Storage	GRC – Exhibit (PG&E-4)
23	314	ED – Microgrids	Separate Proceeding
24	315[(a)]	ED – Wildfire Memo Account not yet securitized (AB 1054)	GRC – Exhibit (PG&E-4)

TABLE 9-2
UCC – ELECTRIC
(CONTINUED)

Line No.	UCC	UCC Title	Recovery Mechanism
25	316	ED – Wildfire Memo Account not subject to securitization	GRC – Exhibit (PG&E-4)
26	317	ED – Catastrophic Event Memorandum Account Other	Separate Proceeding
27	322	ED – Mobile Home Park (MHP)	Separate Proceeding
28	323	ED – MHP – Prior to 2021	GRC – Exhibit (PG&E-4)
29	324	ED – Electric Vehicle Charging Network	GRC – Exhibit (PG&E-4)
30	325	ED – Electric Vehicle Separately Funded	GRC – Separate Proceeding
31	399[(b)]	ED – Wildfire Securitized (AB 1054)	GRC – Exhibit (PG&E-4)
40	401	EP – Electric PPPs	Separately Funded

(a) UCCs 312 and 315 are used to track forecast wildfire-related capital expenditures under AB 1054 that are not expected to be financed with Recovery Bonds by December 31, 2022. Revenues associated with these capital expenditures are included in the 2023 GRC Revenue Requirements using 100 percent debt financing. Refer to Chapter 15, Section D, of this exhibit for more information.

(b) UCC 399 is used to track forecast wildfire-related capital expenditures under AB 1054 that are expected to be financed with Recovery Bonds by December 31, 2022. Revenues associated with these capital expenditures have been excluded from the 2023 GRC Revenue Requirements.

PG&E's EG Revenue Requirement in the 2023 GRC is based on the costs of nine generation UCCs listed below. Of these nine generation UCCs, six relate to Pacific Generation, and the costs associated with these UCCs would be part of Pacific Generation's Revenue Requirement. The three other generation UCCs—EG – Diablo Canyon Nuclear Generation Facilities, EG – Diablo Canyon Transmission, and EG – Electric Procurement—would remain with PG&E.

1) EG – Fossil Facilities;
2) EG – Fossil Transmission;
3) EG – Other Generation Solar;
4) EG – Energy Storage (Elkhorn);
5) EG – Hydro Facilities;
6) EG – Hydro Transmission;
7) EG – Diablo Canyon Nuclear Generation Facilities;
8) EG – Diablo Canyon Transmission; and
9) EG – Electric Procurement.

5. Post Test Year Ratemaking (*D. Raman*)

In the 2023 GRC, PG&E has proposed a ratemaking mechanism for 2024-2026 that will allow PG&E to recover its expenses and spend on capital investments while earning the authorized ROR. To determine the 2024-2026 Revenue Requirement, PG&E has proposed a two-part mechanism which treats expense Revenue Requirement and capital Revenue Requirement separately. PG&E has requested that the Commission adopt a post test-year ratemaking mechanism that escalates the majority of adopted TY expense amounts and models capital Revenue Requirement growth based on adopted TY plant additions. Expense costs are escalated from its TY forecast using escalation factors for labor, non-labor and medical expenses.

Capital Revenue Requirements are based on rate base growth determined by escalating TY additions. For DCPP and Hydro Generation, PG&E has proposed to use bottom-up forecast of capital spend while the other generation capital spend for 2024-2026 is escalated from 2023 capital additions.

Pacific Generation's GRC Revenue Requirement and costs for 2023-2026 will be based on the 2023 GRC final decision approved by the Commission, applying the methodology described below for isolating the portion of PG&E's overall approved generation Revenue Requirement that would move to Pacific Generation and accounting for the portion corresponding to nuclear generation and procurement that will remain with PG&E.

6. Ongoing Revenue Requirements (*S. Maggard*)

As noted, in addition to a GRC-authorized base Revenue Requirement Pacific Generation also will have an ongoing Revenue Requirement related to fuel and other variable costs that will be set and trued up in joint PG&E-Pacific Generation ERRA proceedings. Unlike with respect to PG&E's 2023 GRC, PG&E has not yet filed its ERRA forecast application for 2024, likely the first year that would be applicable to Pacific Generation in light of the anticipated timing of the transaction. Thus, PG&E and Pacific Generation anticipate addressing Pacific Generation's ongoing Revenue Requirement in the ERRA forecast application for 2024, which will be filed in

the first half of 2023. As part of that application, which may be submitted jointly, PG&E and Pacific Generation anticipate presenting information concerning both PG&E- and Pacific Generation-specific forecasts consistent with the Proposed Transaction.

D. Ratemaking Proposal for Recovery of Pacific Generation's Authorized Revenue Requirement (*E. Brown*)

In this section, PG&E and Pacific Generation present a ratemaking proposal for the recovery and collection of Pacific Generation's Revenue Requirement and corresponding changes to PG&E's authorized Revenue Requirement. Whereas this section of testimony describes the ratemaking proposal, Pacific Generation's proposed rates and tariffs are described further in Chapter 10. Specifically, Pacific Generation intends to file certain retail tariffs of its own describing the service it provides to customers and Pacific Generation and PG&E also intend to file certain joint tariffs and rate schedules consistent with Public Utilities Code § 492.

The overall objective of the ratemaking proposal is to enable Pacific Generation to recover its full Revenue Requirement, consisting of operating expenses and capital-related Revenue Requirements as established in the GRC, as well as fuel costs and other variable costs as properly recorded in ERRA. The guiding principles used to develop this proposal are to ensure the ratemaking proposal has no adverse impact to all customers, is durable, is understandable, and preserves the Commission's jurisdiction.

1. Ratemaking Construct

Under PG&E and Pacific Generation's proposed ratemaking construct, Pacific Generation's total Revenue Requirement would be recovered in full through a combination of: (a) market revenues, both from the sale of output from Pacific Generation's generation facilities into the California Independent System Operator (CAISO) marketplace and from sales of resource adequacy (RA) and renewable portfolio standard attributes (Renewable Energy Credits (REC)) to third parties; (b) a Pacific Generation ERRA generation rate designed to charge bundled service customers for the imputed value of retained RA and REC attributes of Pacific Generation's assets; (c) a Pacific Generation New System Generation Charge (NSGC)

designed to recover the Revenue Requirement associated with Elkhorn; and (d) a Pacific Generation PCIA rate, collected from (or paid to) both departed load and bundled service customers in a manner functionally identical to the method used today for PG&E's PCIA-eligible assets. The foregoing elements essentially replicate the existing ratemaking mechanisms applicable to the assets that would be transferred to Pacific Generation. PG&E and Pacific Generation also contemplate an additional element—a contract for differences between PG&E and Pacific Generation—in order to help insulate Pacific Generation from market forecast risk associated with its market revenues, help insulate PG&E from market forecast risk associated with its market purchases, and further support Pacific Generation's valuation by decreasing Pacific Generation's year-over-year revenue variability. Each of these components is discussed in detail below.

a. Pacific Generation's Market Revenues

Pacific Generation will collect the CAISO market revenues associated with its sale of output from its generation assets. CAISO market revenues collected by Pacific Generation will be accounted for in its Portfolio Allocation Balancing Account (PABA) and used to calculate its PCIA rate in the same manner as PG&E does today.

Pacific Generation also will collect revenues from the sale or allocation of RA and RECs associated with Pacific Generation's generation assets. These revenues will similarly be accounted for in PABA and used to calculate the PCIA rate in the same manner as PG&E does today.

b. Pacific Generation's ERRA Generation Rate for Imputed RA/REC Value

Pacific Generation also will charge bundled service customers a retail rate to recover the imputed value of retained RA and REC attributes associated with Pacific Generation's assets. Today, PG&E recovers the imputed RA and REC value through rates set in the PG&E's ERRA forecast proceeding, subject to true-up in PG&E's ERRA compliance proceeding. PG&E makes corresponding entries in PABA

for these imputed RA and REC values, which are used in computing the indifference amount and designing the PCIA rate.

Following the Proposed Transaction, Pacific Generation will follow the same procedure for its assets. Pacific Generation will forecast the imputed value of retained RA and REC attributes associated with Pacific Generation assets in the joint PG&E-Pacific Generation ERRA forecast proceeding, which will provide the basis for, and Revenue Requirement of, a retail generation rate for Pacific Generation customers. This rate will be subject to true-up by Pacific Generation through the same mechanism as today, the ERRA compliance proceeding. Pacific Generation also will make corresponding entries in its PABA for computing the indifference amount. As discussed in Chapter 10, PG&E's ERRA and Pacific Generation's ERRA will be summed to develop a generation rate presented on the bills of bundled load customers. As such, the generation rate customers see on their bills will not change as a result of the Proposed Transaction.

c. Pacific Generation's New System Generation Charge

Pacific Generation also will impose on customers a NSGC rate in order to recover the Revenue Requirement associated with Elkhorn. Currently, PG&E recovers the costs of Elkhorn and other eligible resources through its NSGC Charge, which is presented as part of the distribution rate on customer bills.[11] Following the Proposed Transaction, Pacific Generation would impose a NSGC associated with Elkhorn (and PG&E would remove Elkhorn from its NSGC while continuing to impose such a charge for its other eligible resources) and both utilities' NSGC rates would be combined into a joint NSGC, presented together with PG&E's distribution charges on customer bills.

d. Pacific Generation's PCIA Rate

Pacific Generation will charge or credit both departed load and bundled service customers a PCIA rate in order to ensure indifference between departed load and bundled service customers, as first

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11 Costs related to Elkhorn are recovered through the Cost Allocation Mechanism, pursuant to Resolution E-4949 and AL 5322-E.

established in D.06-07-030 and as discussed in further detail below.[12] Pacific Generation will calculate the PCIA rate for its assets in the same manner as PG&E does today, using the same vintaging system currently used by PG&E. PG&E's and Pacific Generation's respective PCIA rates will be summed and presented as a single line item on customer bills. PG&E and Pacific Generation anticipate that the Proposed Transaction will have no effect on total PCIA charges by PG&E and Pacific Generation to either bundled service or departed load customers.

The PCIA rate charged by Pacific Generation will be accounted for using a Pacific Generation PABA and will be subject to the same true-up methodology employed by PG&E in its PABA today.

e. PG&E-Pacific Generation Contract for Differences

As part of this ratemaking construct, PG&E and Pacific Generation also propose to enter into a contract for differences that would ensure that Pacific Generation recovers the forecasted amount of market revenues described above. If Pacific Generation's market revenues are lower than forecasted, PG&E would make up the difference. If, on the other hand, Pacific Generation's market revenues are higher than forecasted, Pacific Generation would pay PG&E the difference. Payments made and received pursuant to the contemplated PG&E-Pacific Generation contract for differences would be recorded in the corresponding PABA accounts for each company.

PG&E and Pacific Generation believe that using a contract for differences in this scenario is an effective way to help insulate Pacific Generation from the inherent uncertainty of forecasted market revenues. While forecast to actual market revenue variance would be subject to true-up through its PABA in the following year, this variability would necessitate substantial short-term financing for Pacific Generation. A contract for differences would give Pacific Generation greater stability in its annual revenues and would also benefit PG&E by allowing PG&E

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12 On a going-forward basis, the Pacific Generation PCIA rate would be updated for any changes made to the PCIA methodology (e.g., potential inclusion of a new Greenhouse Gas-free attribute).

to retain the natural hedging effect of CAISO sales on its exposure to market prices through CAISO purchases to serve load. Today, PG&E makes both sales to CAISO and purchases from CAISO, and a contract for differences would allow PG&E to maintain the net effect of this position.

f. Tables

The following tables provide examples of the ratemaking changes proposed as part of this transaction. All numbers are illustrative. Table 9-3 illustrates PG&E's current accounting procedures for costs, market revenues, and customer rates.[13]

TABLE 9-3
STATUS QUO

Line No.		Costs			Revenues	Customer Rates	
		A	B	C	D	B+C	A-(C+D)
		PCIA-Eligible Revenue Requirement	CAISO Market Cost to Serve Load	Retained RA/ Renewables Portfolio Standard (RPS)	Market Revenues (CAISO and RA/RECs)	Bundled Customers (ERRA)	PCIA
1	PG&E (No Transaction)	240	200	50	120	250	70

Table 9-4 presents a comparable illustration of the accounting for costs, revenues, and customer rates for both PG&E and Pacific Generation post-transaction.

TABLE 9-4
POST-TRANSACTION

Line No.		Costs			Revenues	Customer Rates	
		A	B	C	D	B+C	A-(C+D)
		PCIA-Eligible Revenue Requirement	CAISO Market Cost to Serve Load	Retained RA/RPS	Market Revenues (CAISO and RA/RECs)	Bundled Customers (ERRA)	PCIA
1	PG&E	130	200	30	40	230	60
2	Pacific Generation	110	–	20	80	20	10
3	PG&E and Pacific Generation Total	240	200	50	120	250	70

[13] For simplicity, the true-up process is not illustrated, but it follows the same accounting process.

Table 9-5 compares the amounts customers pay in rates in the status quo and post-transaction, highlighting that there is no net rate impact for customers.

TABLE 9-5
COMPARISON OF CUSTOMER CHARGES

Line No.		Bundled Service Rate			PCIA Rate		
		PG&E	Pacific Generation	Total	PG&E	Pacific Generation	Total
1	Status Quo	250	N/A	250	70	N/A	70
2	Post-Transaction	230	20	250	60	10	70

Tables 9-6 and 9-7 illustrate the operation of the contract for differences in scenarios where the market revenue is higher than forecast or lower than forecast.

TABLE 9-6
CONTRACT FOR DIFFERENCES – MARKET REVENUES HIGHER THAN FORECAST

Line No.	Forecast Pacific Generation Market Revenues	Actual Pacific Generation Market Revenues	CFD Payment From Pacific Generation to PG&E	Pacific Generation PABA Entry – Market Rev. Variance [Credit]	Pacific Generation PABA Entry – CFD [Debit]	PG&E PABA Entry – CFD [Credit] [Credit Via Existing Annual True-Up]
1	80	100	20	(20)	20	(20)

TABLE 9-7
CONTRACT FOR DIFFERENCES – MARKET REVENUES LOWER THAN FORECAST

Line No.	Forecast Pacific Generation Market Revenues	Actual Pacific Generation Market Revenues	CFD Payment From PG&E to Pacific Generation	Pacific Generation PABA Entry – Market Rev. Variance [Debit]	Pacific Generation PABA Entry – CFD [Credit]	PG&E PABA Entry – CFD [Debit] [Recovery Via Existing Annual True-Up]
1	80	60	20	20	(20)	20

Table 9-8 is similar to Table 9-4, but presents a scenario where Pacific Generation's assets, as a portfolio, are below market.

TABLE 9-8
POST-TRANSACTION – BELOW MARKET PACIFIC GENERATION RESOURCES

Line No		Costs			Revenues	Customer Rates	
		A	B	C	D	B+C	A-(C+D)
		PCIA-Eligible Revenue Requirement	CAISO Market Cost to Serve Load	Retained RA/RPS	Market Revenues (CAISO and RA/RECs)	Bundled Customers (ERRA)	PCIA
1	PG&E (Post-Transaction)	130	200	30	60	230	40
2	Pacific Generation	110	–	20	120	20	(30)
3	PG&E and Pacific Generation Total	240	200	50	180	250	10

2. The Power Charge Indifference Adjustment

The proposed ratemaking construct preserves existing PCIA methodologies for the PCIA-eligible resources that would be transferred to Pacific Generation. Under this construct, Pacific Generation administers the PCIA for its PCIA-eligible assets in the same manner as PG&E does today; PG&E continues to administer the PCIA for the remaining PCIA-eligible resources in its portfolio. PG&E's and Pacific Generation's PCIA charges are combined for presentation on customer bills, such that the total PCIA charge is no different as a result of the Proposed Transaction. PG&E and Pacific Generation believe that this option is consistent with the Commission's PCIA methodology and preserves indifference between bundled service customers and departing load customers.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 10

PACIFIC GENERATION'S RATES, TARIFFS, AND MEMORANDUM AND BALANCING ACCOUNTS

PACIFIC GAS AND ELECTRIC COMPANY
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PACIFIC GENERATION'S RATES, TARIFFS, AND
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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 10
PACIFIC GENERATION'S RATES, TARIFFS, AND MEMORANDUM AND BALANCING ACCOUNTS

A. Introduction *(B. Kolnowski; S. Maggard)*

This chapter provides an overview of the proposed rates, tariffs, and memorandum and balancing accounts that Pacific Generation requests authorization to establish in connection with the Proposed Transaction and its certification as a utility. First, it discusses how Pacific Generation and Pacific Gas and Electric Company (PG&E) propose to implement Pacific Generation's customer rates in order to recover Pacific Generation's authorized revenue requirement. As proposed, Pacific Generation intends to have a separate set of customer tariffs that set forth certain Pacific Generation-specific provisions and PG&E and Pacific Generation intend to have certain joint tariffs and joint rate schedules. The goal is to adapt Pacific Generation's customer rate design into PG&E's existing customer rate design so there are no changes to the rates that appear on customer bills as a result of the Proposed Transaction. Second, and relatedly, this chapter describes the specific memorandum and balancing accounts that Pacific Generation anticipates it will need in order to operate as a utility and to track its authorized revenue requirement and rate recoveries from customers.

B. Pacific Generation's Rates and Tariffs (*B. Kolnowski*)

PG&E and Pacific Generation propose to bill customers for generation service in a similar manner as today, maintaining PG&E's existing rate design. To effectuate this and to ensure that each utility recovers its authorized revenue requirement, PG&E and Pacific Generation propose to have certain joint tariffs and joint rate schedules.[1] In other words, the generation, Power Charge Indifference Adjustment (PCIA), and New System Generation Charge (NSGC)[2] rate components currently charged by PG&E will transition to joint PG&E and

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1 See Public Utilities Code (Pub. Util. Code) § 492.

2 The NSGC rate component recovers the Cost Allocation Mechanism (CAM) revenue requirement.

Pacific Generation rate components. This joint-rate-schedule approach will facilitate the Proposed Transaction while avoiding changes to the rates shown on customer bills and ensure a seamless customer experience.

Following the Proposed Transaction, PG&E's and Pacific Generation's applicable new revenue requirements will be added together in the process of designing rates such that the joint PG&E-Pacific Generation rate components can maintain PG&E's existing rate design, including allocations among customer classes, time of use, and season. Virtually all the various existing PG&E rate schedules that set forth rates for generation service, PCIA, and the NSGC (in light of the transfer of Elkhorn to Pacific Generation) will transition to joint PG&E-Pacific Generation rate schedules.

In addition, separate from the tariffs setting forth the joint PG&E-Pacific Generation rate schedules, PG&E and Pacific Generation also intend to file a joint tariff that governs the allocation of the revenue stream associated with joint rates as between Pacific Generation and PG&E for legal and accounting purposes. This is similar to PG&E's current Electric Preliminary Statement Part I and will enable PG&E and Pacific Generation to separately identify each utility's share of billed revenues for the joint rate components. In other words, this new joint tariff would set forth either dollars-per-kilowatt-hour ($/kWh) rate factors or percentage rate factors that would apply to billed revenues associated with joint PG&E-Pacific Generation rates.[3] Such rate factors would be set in proportion to PG&E and Pacific Generation's respective revenue requirements and govern the legal and accounting disaggregation of the joint revenue stream. An illustrative tariff is presented as Attachment A to this chapter.

C. Requested Memorandum and Balancing Accounts (*S. Maggard*)

Pacific Generation anticipates needing a number of memorandum and balancing accounts in order to operate as a utility and to track its authorized revenue requirement and other costs for which recovery may be authorized as well as its actual rate recoveries from customers. Although the list below summarizes the accounts that PG&E and Pacific Generation have identified to-date as potentially necessary for Pacific Generation, this list is closely tied to

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[3] PG&E proposes to implement either $/kWh rate factors or percentage factors to disaggregate the joint revenue stream.

the overall rate and ratemaking proposal described here and in Chapter 9 and is based on a review of PG&E's currently authorized memorandum and balancing accounts. Accordingly, this list may not be exhaustive, and Pacific Generation may supplement this list of memorandum and balancing accounts based on further developments in this and other proceedings, including a final decision by the California Public Utilities Commission (CPUC or Commission) on PG&E and Pacific Generation's application.

Additionally, PG&E may need to transfer certain account balances to Pacific Generation. For example, PG&E has decommissioning reserves for its hydroelectric, natural-gas fired, and solar assets, consistent with the Commission's decision on PG&E's 2020 General Rate Case (GRC). PG&E has regulatory liabilities on its balance sheet associated with these reserves, reflecting the amounts previously collected by PG&E in customer rates for decommissioning. As a result of the Proposed Transaction, these regulatory liabilities would be transferred to Pacific Generation.

Pacific Generation requests authorization to establish the following memorandum and balancing accounts:

1. **Description of Service Area and General Requirements – Preliminary Statement A**

   This tariff describes the territory that Pacific Generation will serve. Pacific Generation will require this tariff because, as a public utility, it will have a service territory (which will be the same service areas as PG&E's).

2. **Vegetation Management Balancing Account – Preliminary Statement BU**

   PG&E's Vegetation Management Balancing Account (VMBA) adjusts for any difference between actual vegetation management expenses and amounts authorized for vegetation management in the GRC. The Main Account tracks actual vegetation management expenses; a second account tracks the costs associated with tree mortality (removal of trees damaged by drought or Bark Beetle).[4]

   Pacific Generation proposes to file a tariff establishing a VMBA to track and recover any vegetation management costs that it may incur. The

[4] See D. 20-12-005, at 66 (Dec. 3, 2020).

Applicants contemplate that PG&E will continue to undertake all vegetation management work, and hence we expect the costs of such work would be recorded in PG&E's VMBA. To the extent PG&E conducts vegetation management work in and around Pacific Generation assets, PG&E will charge Pacific Generation for the costs of such work. Pacific Generation would balance such costs against authorized revenues through the VMBA.

3. Energy Resource Recovery Account – Preliminary Statement CP

PG&E's Preliminary Statement CP establishes the Energy Resource Recovery Account (ERRA), which records and recovers power costs associated with the public utility's authorized procurement plan. Pacific Generation will require this account to record the costs of fuel and other variable costs for certain of Pacific Generation's generating assets, and to balance those costs against revenue received. In addition, Pacific Generation will record in its ERRA the imputed value of retained resource adequacy and renewable portfolio standard attributes associated with Pacific Generation assets.

As discussed in Chapter 9, the Applicants propose that PG&E and Pacific Generation file a joint ERRA forecast application and a joint ERRA compliance review application.

4. CPUC Reimbursement Fee – Preliminary Statement E

PG&E's Preliminary Statement E sets forth the reimbursement fee to be paid by utilities to fund Pub. Util. Code regulation. The fee is applicable to all electric service rendered under all rate schedules and contracts, except for interdepartmental sales or transfers and sales to electric public utilities. As a utility, Pacific Generation will require this account to fulfill its obligations under Pub. Util. Code § 433. Pacific Generation and PG&E may file a joint tariff to streamline the calculation, collection, and remittance of the reimbursement fee.

5. Land Conservation Plan Implementation Account – Preliminary Statement EK

PG&E's Preliminary Statement EK records, for recovery from customers, a portion of costs incurred by the public utility to process applications before the CPUC or Federal Energy Regulatory Commission

(FERC) for transactions necessary to implement the Land Conservation Plan (LCP) approved by the Commission in Decision (D.) 03-12-035. Pacific Generation-owned land will be needed for implementation of the LCP, and Pacific Generation will incur relevant costs as a result. It will therefore require this tariff in order to track and recover those costs.

6. Land Conservation Plan Environmental Remediation Memorandum Account – Preliminary Statement EZ

PG&E's Preliminary Statement EZ records and recovers hazardous substance investigation, remediation, or mitigation costs for properties that are or will be encumbered or transferred pursuant to the Land Conservation Commitment (LCC), consistent with D.03-12-035. Pacific Generation-owned land will be needed for implementation of the LCC, and Pacific Generation will incur relevant costs as a result. It therefore will require this tariff in order to track and recover those costs.

Environmental remediation obligations associated with LCC lands known at the time of the transaction will be retained by PG&E as part of the transaction and remediation costs will be recovered through PG&E's Land Conservation Plan Environmental Remediation Memorandum Account (LCPERMA). Pacific Generation's LCPERMA will be used to record costs for environmental remediation obligations that arise after the transfer. PG&E will indemnify Pacific Generation for any losses incurred by Pacific Generation for the LCC obligations retained by PG&E, and Pacific Generation will indemnify PG&E for any losses incurred by PG&E for the LCC obligations of Pacific Generation following the transaction. In light of this contemplated structure, PG&E and Pacific Generation seek confirmation that liabilities resulting from such indemnifications will be rate recoverable, consistent with D.03-12-035 under each utility's LCPERMA, as applicable.

7. Tax Act Memorandum Account – Electric – Preliminary Statement FR

PG&E's Preliminary Statement FR records and tracks the electric portion of revenue requirement impacts related to various tax acts, which may affect Pacific Generation's tax-related revenue requirement. Specifically, this preliminary statement tracks: (a) decreases in revenue requirements resulting from increase in deferred tax reserve; and (b) other

direct changes in revenue requirements due to the acts. To the extent these tax acts apply to Pacific Generation, then Pacific Generation will need to properly account for their impact by setting up this memorandum account.

8. New System Generation Balancing Account – Preliminary Statement FS

PG&E's Preliminary Statement FS records benefits and costs of Power Purchase Agreements and certain Utility-Owned Generation assets associated with generation resources for which the Commission has determined that costs and benefits will be allocated to all benefitting customers, including bundled service, Direct Access (DA), and Community Choice Aggregator (CCA). Pacific Generation will require a version of this tariff to record costs and benefits of Pacific Generation-owned qualifying assets. Specifically, PG&E's New System Generation Balancing Account (NSGBA) currently includes one subaccount that records the costs and benefits of the Elkhorn Energy Storage Facility, which will be transferred to Pacific Generation. As such, Pacific Generation will need to establish its own NSGBA balancing account for Elkhorn (or PG&E's Elkhorn subaccount in NSGBA would need to move to Pacific Generation) in order to ensure continuity of rate recovery. As discussed, PG&E and Pacific Generation propose that the NSGC would become joint and there also would be a joint tariff that would divide customer revenue from that joint tariff charge to collect NSGBA revenues and assign a share to Pacific Generation.

9. Catastrophic Event Memorandum Account (CEMA) – Preliminary Statement G

PG&E's Preliminary Statement G recovers costs associated with restoration of service and facilities affected by a catastrophic event that is declared a disaster or state of emergency by federal or state authorities. PG&E's account applies to assets that will be transferred to Pacific Generation. As such, Pacific Generation will require this account to recover costs to replace, repair, or restore any Pacific Generation-owned assets during or after a catastrophic event.

10. Major Emergency Balancing Account – Preliminary Statement GJ

PG&E's Preliminary Statement GJ recovers actual expenses and capital revenue requirements resulting from response to major emergencies and catastrophic events not eligible for recovery through the CEMA. PG&E's account applies to assets that will be transferred to Pacific Generation. As such, Pacific Generation will require this account to recover costs to replace, repair, or restore any Pacific Generation-owned plants or facilities during or after qualifying events.

11. Hydro Licensing Balancing Account – Preliminary Statement GL

PG&E's Preliminary Statement GL recovers actual expenses and capital revenue requirements based on various FERC hydro licensing activities, and tracks and adjusts for difference in actual and adopted expenses and revenue requirements associated with relicensing and amending/modifying licenses, including costs associated with implementing/complying with new license conditions. It also includes FERC and California Division of Safety of Dams regulatory fees, and costs associated with the Spillway Assessment and Improvement Program (SAIP), a program designed to facilitate post-Oroville spillway assessments and improvements in order to mitigate large uncontrolled water release. This account will be required so Pacific Generation has the ability to record and recover costs to renew its licenses on the hydro assets it will take over as part of this transaction, as well as the work it will perform pursuant to the SAIP.

12. Z-Factor Memorandum Account – Preliminary Statement GU

PG&E's Preliminary Statement GU tracks costs associated with potential "Z-Factors" (exogenous and unforeseen events largely beyond PG&E's control that have a material impact on PG&E's costs). Each Z-Factor event is subject to a $10 million deductible. Pacific Generation will require this account to record costs for qualifying Z-Factor events that affect Pacific Generation. Pacific Generation proposes that its Z-factor be subject to a $1 million deductible, reflecting its relative size.

13. Interest – Preliminary Statement H

PG&E's Preliminary Statement H provides for PG&E to pay interest only as specifically provided in its tariffs, Commission orders, or as required by

specified law. Pacific Generation will require a similar tariff to govern its comparable interest obligations.

14. Tax Memorandum Account – Preliminary Statement HD

PG&E's Preliminary Statement HD tracks differences in the authorized GRC revenue requirements related to income tax resulting from specified changes in tax rules. Pacific Generation will require this account to track and provide to the Commission the same information.

15. Emergency Consumer Protections Memorandum Account – Electric – Preliminary Statement HG

PG&E's Preliminary Statement HG records costs associated with the Emergency Consumer Protection Plan for customers in areas where a state of emergency is proclaimed due to disaster that results in loss or disruption of delivery or receipt of utility service and/or degradation of service. Pacific Generation will require this account to record costs that it may incur to implement Emergency Consumer Protection Plan measures in order to promote the public welfare in the wake of a covered disaster—measures that are broadly applicable to electric, gas, water, and sewer utilities per Rule No. 1. D.19-07-015.

16. Wildfire Expense Memorandum Account – Preliminary Statement HL

PG&E's Preliminary Statement HL records all costs of third-party claims resulting from wildfires and paid by PG&E that would have been covered by insurance, and any costs that would have been avoided if insurance were available, including: payments to satisfy claims; outside legal costs in defense of claims; premium costs not in rates; and the cost of financing these amounts. Recovery is limited to incremental costs. Pacific Generation will require this account to record any such costs it may incur.

17. Portfolio Allocation Balancing Account – Preliminary Statement HS

PG&E's Preliminary Statement HS records the "above-market" costs of generation resources that are eligible for recovery through PCIA rates. Portfolio Allocation Balancing Account (PABA) is composed of two types of subaccounts for each year's vintage portfolio resources: (a) "Legacy Utility Owned Generation Subaccounts," which record and recover above-market costs associated with revenue requirements related to originally

PG&E-owned generation installed before 2002 (“Legacy UOG”), including capital and related non-fuel operating and maintenance expenses; and (b) “Vintage Subaccounts,” which record and recover above-market power costs associated with PG&E’s authorized procurement plan by vintage. As explained in more detail in Chapter 9, Pacific Generation will require a PABA account to track and record the “above-market” costs of its PCIA-eligible resources.

18. Officer Compensation Memorandum Account – Preliminary Statement HT

Pub. Util. Code Section 706 requires all compensation for officers of electrical or gas corporations to be paid solely by shareholders. PG&E’s Preliminary Statement HT tracks compensation authorized in GRCs and actual compensation paid to guarantee compliance with that requirement. Pacific Generation will require this account to track compensation paid to Pacific Generation officers to ensure similar compliance.

19. Rate Schedule Summary – Preliminary Statement I

PG&E’s Preliminary Statement I contains a summary list of rate schedules. As referenced in Part II of this chapter, Pacific Generation and PG&E will require a similar tariff to separate billed generation revenue between PG&E and Pacific Generation.

20. Climate Adaptation Vulnerability Assessment Memorandum Account – Electric – Preliminary Statement II

PG&E’s Preliminary Statement II tracks and records costs directly related to climate vulnerability assessments, and any incremental costs related to community engagement per D.20-08-046. Pacific Generation will require this account because Pacific Generation’s assets may fall within climate vulnerability assessments, and Pacific Generation may therefore need to track and record costs associated with that categorization.

21. PCIA Pre-Payment Balancing Account – Preliminary Statement IK

PG&E’s Preliminary Statement IK records pre-payments of PCIA obligations received from individual DA customers or CCAs (on behalf of defined sets of CCA customers). Each subaccount contains credit equal to PCIA obligations received due to pre-payment, debits to transfer portions of

the pre-paid PCIA obligations to the PABA. Pacific Generation will require this account in order to enable DA customers and CCAs to pre-pay their PCIA obligations related to Pacific Generation's assets.

22. Residential Uncollectibles Balancing Account – Electric – Preliminary Statement IM

PG&E's Preliminary Statement IM records uncollectibles recovered from residential electric customers, compared to actual uncollectibles for transparency. Includes three sub-accounts: (a) generation; (b) non-generation; and (c) AMP debt forgiveness. Pacific Generation will require this account in order to track uncollectibles associated with generation charges.

23. Risk Transfer Balancing Account – Electric – Preliminary Statement IN

PG&E's Preliminary Statement IN is a two-way balancing account to track and record actual expenses, compared to adopted expenses for financial risk transfer costs (including all financial risk transfer mechanisms, such as insurance, reinsurance, catastrophe bonds, captives, and related costs such a broker fees and excise taxes) allocated to the electric distribution and generation functions. Pacific Generation will require this account to record and balance actual expenses, compared to adopted expenses for such financial risk transfer costs.[5]

24. Wildfire Mitigation Balancing Account – Preliminary Statement IO

PG&E's Preliminary Statement IO tracks actual expenses and capital expenditures against adopted amounts for fire risk mitigation work as allocated to electric distribution and generation functions. Costs recorded do not include those recorded in other accounts (CEMA, Fire Risk Mitigation on Memorandum Account (FRMMA), Wildfire Mitigation Plan Memorandum Account (WMPMA)). Pacific Generation will require this account to account for any such costs it may incur, including costs as may be allocated or assigned by PG&E.

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5 PG&E's intent is to divide this tariff's $1.4 billion reasonableness threshold for risk coverage between PG&E and Pacific Generation, in a manner consistent with the overall division of risk transfer ultimately approved in the GRC.

25. Income Tax Component of Contributions Provision – Preliminary Statement J

PG&E's Preliminary Statement J tracks liability for Federal and State Income Tax based on Contributions in Aid of Construction, including but not limited to cash, services, facilities, labor, and property. Pacific Generation will require this account to properly account for any repair and upgrade work conducted by Pacific Generation that may involve contributions in aid of construction.

26. Cost of Capital Memorandum Account – Electric – Preliminary Statement JK

PG&E's Cost of Capital Memorandum Account tracks the difference between the revenue requirement resulting from PG&E's authorized cost of capital at the beginning of a given calendar year and the revenue requirement resulting from PG&E's final cost of capital for the year, as ultimately authorized by the CPUC. Since this account presently includes a generation subaccount, Pacific Generation will require its own parallel account for future cost of capital proceedings.

27. Hazardous Substance Mechanism – Preliminary Statement S (Prelim)

PG&E's Preliminary Statement S provides a uniform methodology for allocating costs and related recoveries associated with hazardous substance-related activities, including clean-up and litigation. The Hazardous Substance Mechanism (HSM) includes a balancing account (Hazardous Substance Cost Recovery Account) and interest-bearing tracking account (Other Hazardous Substance Tracking Account). Pacific Generation requires this mechanism because Pacific Generation's plants may need to undertake certain hazardous substance-related activities covered by the HSM.

Known environmental liabilities associated with these assets will be retained by PG&E as part of the transaction and recovered through the HSM available to PG&E. Pacific Generation's HSM will be used to record costs for environmental liabilities that are known or discovered after the transfer. PG&E will indemnify Pacific Generation for any losses incurred by Pacific Generation for the environmental liabilities retained by PG&E, and Pacific

Generation will indemnify PG&E for any losses incurred by PG&E for the environmental liabilities assumed by Pacific Generation.

Given this planned structure, applicants seek confirmation that these indemnifications will be rate recoverable, consistent with D.94-05-020.

28. FRMMA – Preliminary Statement HQ

PG&E's Preliminary Statement HQ records incremental costs of fire risk mitigation not otherwise in PG&E's adopted revenue requirements, pursuant to Senate Bill 901 (Pub. Util. Code Section 8386(j); including, but not limited to, system hardening and resiliency, wildfire detection, enhanced response capacity, and vegetation management.

Power Generation currently uses this balancing account to comply with Butte, Drum, Placer, and Nevada county defensible space ordinances for wildfire protection to safeguard facilities not covered under Wildfire Mitigation Plan (WMP) (switching centers, yards, operations centers, etc.). Pacific Generation will require this account in order to track costs associated with those ongoing efforts, as well as any other fire mitigation measures it may take pursuant to its fire risk (e.g., for areas around tie lines).

29. WMPMA – Preliminary Statement HX

PG&E's Preliminary Statement HX records incremental costs incurred to implement an approved WMP that are not otherwise recovered in the public utility's adopted revenue requirements, including expense and capital expenditures for various wildfire mitigation measures. Pacific Generation requires this account in order to track costs that Pacific Generation may incur, including costs that PG&E allocates or assigns to Pacific Generation, associated with implementation of an approved WMP.

D. Process for Implementing PG&E and Pacific Generation's Tariff Revisions (*B. Kolnowski*)

PG&E's and Pacific Generation's joint tariffs and rate schedules, Pacific Generation's tariffs, and the Pacific Generation memorandum and balancing accounts described in this chapter of testimony will need to be implemented via the filing of new tariffs for Pacific Generation and various revisions to PG&E's existing tariffs following a Commission decision in this proceeding. Pacific Generation may also need a variety of electric rules, electric forms, and other

tariffs, substantially similar to PG&E's, in order to operate as a public utility. PG&E and Pacific Generation intend to include many or all of these in the initial Tier 2 Advice Letter submitted to the Commission, which also will identify the Minority Investor(s), submit definitive transaction documents, and provide Pacific Generation's initial revenue requirement and PG&E's updated revenue requirement. However, in light of the complexity of the contemplated tariff revisions, PG&E and Pacific Generation also request that the Commission's decision grant both utilities authority to file additional advice letters, as needed, to fully implement the Proposed Transaction and the associated ratemaking and tariff changes.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 10

ATTACHMENT A

JOINT PG&E-PACIFIC GENERATION PRELIMINARY STATEMENT – JOINT RATE SCHEDULE SUMMARY

ELECTRIC PRELIMINARY STATEMENT PART XX
Sheet 1

PG&E-PACIFIC GENERATION JOINT RATE SCHEDULE SUMMARY

XX. PG&E-Pacific Generation Rate Summary [*Percentage Rate*]

1. PURPOSE:

The purpose of this section is to set forth the rates that PG&E and Pacific Generation will use to separate jointly billed revenue for legal and accounting purposes between the two utilities. Following Pacific Generation's formation as an electric generation public utility pursuant to D.23-XX-XXX, PG&E and Pacific Generation jointly provide electric generation and other service to customers within their service territory. Accordingly, PG&E and Pacific Generation have certain joint rate schedules that set forth the utilities' joint rates for various customer classes. These joint rates are designed to recover the sum of the applicable revenue requirements of both PG&E and Pacific Generation. Following application of this section, PG&E's share of jointly billed revenue would flow to PG&E's Electric Preliminary Statement Part I for further separation. PG&E, as the billing agent for Pacific Generation pursuant to the Billing Services Agreement between the two utilities, will remit to Pacific Generation its share of jointly billed revenue in accordance with the terms of this section and the Billing Services Agreement.

Billed Component	Subcomponent	Applicability	Rate (%)
Generation	Pacific Generation's Generation Rate	All Rate Schedules, Bundled	XX.XX%
Pacific Generation's New System Generation Charge (NSGC)	Pacific Generation's NSGC Rate	All Rate Schedules, All Customers	XX.XX%
Power Charge Indifference Adjustment (PCIA)	Pacific Generation's PCIA Rate	All Rate Schedules, 2009 Vintage	XX.XX%
		All Rate Schedules, 2010 Vintage	XX.XX%
		All Rate Schedules, 2011 Vintage	XX.XX%
		All Rate Schedules, 2012 Vintage	XX.XX%
		All Rate Schedules, 2013 Vintage	XX.XX%
		All Rate Schedules, 2014 Vintage	XX.XX%
		All Rate Schedules, 2015 Vintage	XX.XX%
		All Rate Schedules, 2016 Vintage	XX.XX%
		All Rate Schedules, 2017 Vintage	XX.XX%
		All Rate Schedules, 2018 Vintage	XX.XX%
		All Rate Schedules, 2019 Vintage	XX.XX%
		All Rate Schedules, 2020 Vintage	XX.XX%
		All Rate Schedules, 2021 Vintage	XX.XX%
		All Rate Schedules, 2022 Vintage	XX.XX%

XX. PG&E-Pacific Generation Rate Summary [*$/kWh Rate*]

1. PURPOSE:

The purpose of this section is to set forth the rates that PG&E and Pacific Generation will use to separate jointly billed revenue for legal and accounting purposes between the two utilities. Following Pacific Generation's formation as an electric generation public utility pursuant to D.23-XX-XXX, PG&E and Pacific Generation jointly provide electric generation and other service to customers within their service territory. Accordingly, PG&E and Pacific Generation have certain joint rate schedules that set forth the utilities' joint rates for various customer classes. These joint rates are designed to recover the sum of the applicable revenue requirements of both PG&E and Pacific Generation. Following application of this section, PG&E's share of jointly billed revenue would flow to PG&E's Electric Preliminary Statement Part I for further separation. PG&E, as the billing agent for Pacific Generation pursuant to the Billing Services Agreement between the two utilities, will remit to Pacific Generation its share of jointly billed revenue in accordance with the terms of this section and the Billing Services Agreement.

Billed Component	Subcomponent	Applicability	Rate (per kWh)
Generation	Pacific Generation's Generation Rate	Residential, Bundled	$X.XXXX
		Small L&P, Bundled	$X.XXXX
		Medium L&P, Bundled	$X.XXXX
		Large Commercial, Bundled	$X.XXXX
		Streetlights, Bundled	$X.XXXX
		Standby, Bundled	$X.XXXX
		Agriculture, Bundled	$X.XXXX
		E-20 T / B-20 T, Bundled	$X.XXXX
		E-20 P / B-20 P, Bundled	$X.XXXX
		E-20 S / B-20 S, Bundled	$X.XXXX
		BEV1, Bundled	$X.XXXX
		BEV2, Bundled	$X.XXXX
Pacific Generation's New System Generation Charge (NSGC)	Pacific Generation's NSGC Rate	Residential, All Customers	$X.XXXX
		Small L&P, All Customers	$X.XXXX
		Medium L&P, All Customers	$X.XXXX
		Large Commercial, All Customers	$X.XXXX
		Streetlights, All Customers	$X.XXXX
		Standby, All Customers	$X.XXXX
		Agriculture, All Customers	$X.XXXX
		E-20 T / B-20 T, All Customers	$X.XXXX
		E-20 P / B-20 P, All Customers	$X.XXXX
		E-20 S / B-20 S, All Customers	$X.XXXX
		BEV1, All Customers	$X.XXXX
		BEV2, All Customers	$X.XXXX

Pacific Generation's Power Charge Indifference Adjustment (PCIA) Rates

Rate Group	Legacy Utility Owned-Generation (UOG)	2009 Vintage	2010 Vintage	2011 Vintage
Residential	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Small L&P	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Medium L&P	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Large Commercial	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Streetlights	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Standby	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Agriculture	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
E-20 T / B-20 T	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
E-20 P / B-20 P	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
E-20 S / B-20 S	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
BEV1	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
BEV2	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX

Rate Group	2012 Vintage	2013 Vintage	2014 Vintage	2015 Vintage
Residential	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Small L&P	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Medium L&P	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Large Commercial	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Streetlights	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Standby	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Agriculture	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
E-20 T / B-20 T	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
E-20 P / B-20 P	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
E-20 S / B-20 S	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
BEV1	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
BEV2	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX

Rate Group	2016 Vintage	2017 Vintage	2018 Vintage	2019 Vintage
Residential	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Small L&P	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Medium L&P	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Large Commercial	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Streetlights	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Standby	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
Agriculture	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
E-20 T / B-20 T	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
E-20 P / B-20 P	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
E-20 S / B-20 S	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
BEV1	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX
BEV2	$X.XXXX	$X.XXXX	$X.XXXX	$X.XXXX

Rate Group	2020 Vintage	2021 Vintage	2022 Vintage
Residential	$X.XXXX	$X.XXXX	$X.XXXX
Small L&P	$X.XXXX	$X.XXXX	$X.XXXX
Medium L&P	$X.XXXX	$X.XXXX	$X.XXXX
Large Commercial	$X.XXXX	$X.XXXX	$X.XXXX
Streetlights	$X.XXXX	$X.XXXX	$X.XXXX
Standby	$X.XXXX	$X.XXXX	$X.XXXX
Agriculture	$X.XXXX	$X.XXXX	$X.XXXX
E-20 T / B-20 T	$X.XXXX	$X.XXXX	$X.XXXX
E-20 P / B-20 P	$X.XXXX	$X.XXXX	$X.XXXX
E-20 S / B-20 S	$X.XXXX	$X.XXXX	$X.XXXX
BEV1	$X.XXXX	$X.XXXX	$X.XXXX
BEV2	$X.XXXX	$X.XXXX	$X.XXXX

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 11

COMPLIANCE OBLIGATIONS OF PACIFIC GENERATION

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 11
COMPLIANCE OBLIGATIONS OF PACIFIC GENERATION

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 11
COMPLIANCE OBLIGATIONS OF PACIFIC GENERATION

A. Introduction (D. Toy; M. Schonherr)

This chapter provides an overview of the California Public Utilities Commission (CPUC or Commission) compliance obligations that will be assumed by Pacific Generation. In general, Pacific Generation will achieve compliance through the actions of Pacific Gas and Electric Company (PG&E or the Company or the Utility) personnel, who will continue to manage compliance processes on behalf of Pacific Generation through the various intercompany agreements described in Chapter 4. The sections below provide an overview of these compliance processes and requirements.

B. Overview of Pacific Generation's Compliance with the Public Utilities Code (Pub. Util. Code) and CPUC Requirements (*D. Toy*)

As an electrical corporation, Pacific Generation will continue to fall under the jurisdiction of the Commission. As such, Commission rules, orders, and policies will apply to Pacific Generation activities and assets. Pacific Generation will comply with all statutes and rules, orders, and other requirements imposed by the Commission that apply to Pacific Generation's ownership, maintenance, and operations of Pacific Generation's assets.

Currently, PG&E's Ethics and Compliance (E&C) organization provides overall oversight for compliance across the PG&E enterprise, including Power Generation. PG&E's Regulatory Affairs group identifies new and ongoing Commission compliance requirements for applicable lines of business in PG&E. The Proposed Transaction will not change these existing PG&E compliance processes and functions. In other words, E&C and Regulatory Affairs will support Pacific Generation, as they currently support Power Generation within PG&E, to ensure compliance with applicable Commission requirements.

The rest of this chapter of testimony identifies certain categories of such requirements applicable to Pacific Generation and explains how Pacific Generation will achieve compliance. These include: (1) requirements that apply to both PG&E and Pacific Generation and where compliance is generally shared; (2) requirements related to power generation assets where compliance

is Pacific Generation-specific; (3) discussion of the requirements for PG&E adopted by the Commission in its decision approving PG&E's Plan of Reorganization (POR), Decision (D.) 20-05-053; and (4) compliance with the Affiliate Transaction Rules (ATR) and Holding Company Conditions.

C. Areas of Shared PG&E and Pacific Generation Compliance (*D. Toy*)

There are a wide range of requirements that by statute, or by Commission decision, rule or order will apply to both PG&E and Pacific Generation as electrical corporations and public utilities. PG&E and Pacific Generation expect that compliance with these requirements will be achieved in the same manner as today. In other words, since Pacific Generation is an asset owner and PG&E will remain the operator of the assets, Pacific Generation will achieve compliance through the actions of PG&E personnel, just as is done at present.

1. Load Serving Entity

As discussed in Chapter 10, Pacific Generation proposes to file a joint tariff pursuant to which retail customers will be obligated to pay Pacific Generation on the basis of consumption for the electric generation services it provides. In other words, retail customers will compensate Pacific Generation based on their load. As such, Pacific Generation, as an electrical corporation, will be a load serving entity (LSE).[1] Once the Proposed Transaction is consummated, current bundled service customers of PG&E will receive generation service from both PG&E and Pacific Generation.

California statutes and Commission decisions impose numerous requirements on LSEs, including Resource Adequacy (RA),[2] Renewable Portfolio Standards,[3] and Integrated Resource Planning.[4] PG&E is currently subject to those requirements and meets them through a portfolio of resources, including the non-nuclear generating assets that would be transferred to Pacific Generation. Once Pacific Generation receives those assets and becomes an electrical corporation, PG&E and Pacific Generation

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1 Pub. Util. Code § 380(k).

2 Pub. Util. Code § 380.

3 Pub. Util. Code §§ 399.11 *et seq.*

4 Pub. Util. Code §§ 454.51, 454.52.

will jointly achieve compliance with these requirements. It is neither necessary nor practical for each of PG&E and Pacific Generation to achieve compliance independently, particularly since generation customers will be served by both utilities simultaneously. Instead, compliance will be achieved in the same manner as it is today—by consideration of the portfolio of resources to serve the customers of PG&E and Pacific Generation, including Pacific Generation's assets, which PG&E will manage as operator. PG&E will continue to report to the Commission on compliance with LSE obligations and, as appropriate, PG&E and Pacific Generation will jointly report regarding such compliance.

Pursuant to state law, PG&E has been designated as the provider of last resort.[5] While the Pub. Util. Code defines an electrical corporation as the provider of last resort,[6] it does not expressly address the scenario in which two electrical corporations serve the same geographic area, as would be the case for PG&E and Pacific Generation. By definition, there can be only a single entity that is the last resort, and that entity should continue to be PG&E, not Pacific Generation. The Commission has the statutory authority to order that PG&E remain the sole provider of last resort and to make other determinations regarding provider of last resort status.[7]

The Commission also has designated PG&E as the Central Procurement Entity (CPE) for its electric distribution service area, which means that PG&E must procure or obtain self-shown commitments for capacity to meet the 3-year forward multi-year local resource adequacy requirement on behalf of all CPUC-jurisdictional load serving entities within its electric distribution service area beginning with the 2023 compliance year.[8] The Proposed Transaction would not alter PG&E's obligations in this regard, and there is no need to impose duplicative CPE requirements on Pacific Generation, particularly since Pacific Generation will provide only generation service and will not have an electric distribution service area.

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5 See Pub. Util. Code §§ 216(a)(2), 387; R.21-03-011.

6 Pub. Util. Code § 387(b).

7 Pub. Util. Code § 387(c).

8 See D.20-06-002.

Currently, PG&E partners with Community Choice Aggregators (CCA) to create a Joint Rate Comparison for each CCA, providing customers with a comparison of PG&E's typical electric rates, average monthly charges, and generation portfolio data as compared to those of each CCA. These Joint Rate Comparisons are accessible on PG&E's website. Following the Proposed Transaction, PG&E and Pacific Generation would jointly provide similar Joint Rate Comparisons, comparing PG&E and Pacific Generation's combined typical electric rates, average monthly charges, and generation portfolio data with those of each CCA. These Joint Rate Comparisons would continue to be accessible on PG&E's website.

2. Wildfire Mitigation

Although Pacific Generation's assets are believed not to pose a significant risk of ignition of a wildfire, Pacific Generation will seek confirmation from the Wildfire Fund Administrator that Pacific Generation, as a newly created electrical corporation and a subsidiary of PG&E, will be eligible to participate in and to obtain payments of eligible claims from the California Wildfire Fund. In light of Pacific Generation's expected participation in the Fund, as part of Pacific Generation's initial capitalization, PG&E anticipates transferring to Pacific Generation a proportional share of the accounting charges associated with PG&E's initial and annual contributions. Consistent with PG&E's current practice, these accounting charges would be excluded from the measurement of Pacific Generation's authorized capital structure pursuant to Pub. Util. Code Section 3929(g).

Relatedly, also as an electrical corporation, Pacific Generation would be required to submit and obtain approval of a Wildfire Mitigation Plan (WMP).[9] PG&E's approved WMP already covers the assets that will be transferred to Pacific Generation. Thus, and also in light of PG&E's continued role operating and maintaining the assets, PG&E and Pacific Generation expect that PG&E's approved WMP also will apply to Pacific Generation and in the future, PG&E and Pacific Generation would prepare a joint submission. Similarly, PG&E and Pacific Generation would jointly request that the Office

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9 Pub. Util. Code § 8386(b).

of Energy and Infrastructure Safety issue a safety certificate for both PG&E and Pacific Generation.

Finally, as a requirement of an anticipated safety certification, the compensation for Pacific Generation executive officers also must comply with statutory requirements.[10] These are discussed further in Chapter 3.

3. Other

The Commission has imposed numerous other requirements on electrical corporations that potentially would apply to Pacific Generation. These include, for example, requirements established in the Climate Change Adaptation proceeding,[11] the Risk Based Decision Making Framework proceeding,[12] and the Safety Culture Order Instituting Investigation.[13] The Proposed Transaction will not affect how compliance is achieved for these and similar requirements. To the extent these requirements apply to Pacific Generation, Pacific Generation will achieve compliance through the actions of PG&E personnel, just as is done today.

D. Pacific Generation-Specific CPUC Compliance Requirements (*D. Toy; M. Schonherr*)

Compliance obligations arising from authorizations that are obtained solely for purposes of the power generation assets, and that are tied to the operations of those assets, should be transferred from PG&E to Pacific Generation as part of the Proposed Transaction. PG&E requests that the Commission confirm that such obligations will cease to apply to PG&E and will instead apply to Pacific Generation. As explained, all current compliance processes that support Power Generation will remain in place with PG&E as a service to Pacific Generation. See Chapter 4 for further detail on the intercompany services agreements.

1. Asset Owner (*D. Toy*)

Certain CPUC-imposed obligations apply to assets that would be transferred to Pacific Generation. For example, the Commission's 2020

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10 Pub. Util. Code § 8389.

11 D.20-08-046

12 D.21-11-009.

13 D.18-11-050, D.19-06-008.

GRC decision ordered PG&E to take certain actions in relation to its ISO 55000 certification.[14] In its decision resolving Phase One of PG&E's 2020 Energy Resource Recovery Account (ERRA) compliance application, the Commission approved a settlement agreement in which PG&E agreed, among other things, to provide in future ERRA Compliance filings a progress report on corrective actions associated with the forced outage at the Pit 5, Unit 2 powerhouse.[15] To the extent these requirements apply to assets that would be transferred to Pacific Generation (e.g., hydro), the requirements will transfer with the assets, such that Pacific Generation, and not PG&E, will be responsible for taking these actions in relation to the assets at issue. That said, Pacific Generation will achieve compliance through the actions of PG&E personnel in light of PG&E's continued role operating the assets.

2. Pacific Generation's Commitment to Carry out and Comply with the Land Conservation Commitment in D.03-12-035 (*M. Schonherr*)

a. Background

As part of the settlement of the bankruptcy proceeding in 2003, PG&E entered into a settlement agreement (the "LCC Settlement"), pursuant to which PG&E agreed to conserve and protect approximately 140,000 acres of PG&E-owned watershed lands,[16] including lands that contain Federal Energy Regulatory Commission (FERC)-licensed hydropower projects, for a broad range of "beneficial public values" (the Land Conservation Commitment (LCC)).[17] These values are defined by the LCC Settlement as protection of the natural habitat of fish, wildlife, and plants; preservation of open space; outdoor public recreation; sustainable forestry; agricultural uses; and historic values. In furtherance of the initial proposed settlement agreement before the Commission in Investigation 02-04-026 (and approved in modified form in D.03-12-035), and to provide additional detail regarding the

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14 D.20-12-005, Ordering Paragraph (OP) 1.

15 D.22-04-041, Attachment A, Section 6.1.

16 These lands are primarily within the Sierra Nevada, Coast and Cascade mountain ranges.

17 See D.03-12-035, Appendix C. § 17.

implementation of PG&E's LCC, PG&E and other interested parties entered into a Stipulation Resolving Issues Regarding the LCC dated September 25, 2003. The Commission approved the LCC Settlement, including the LCC and the stipulation, on December 18, 2003 in D.03-12-035.

The LCC Settlement provides that PG&E's watershed lands will be:

1) Subject to permanent conservation easements restricting development of the lands so as to protect and preserve their beneficial public values; and/or
2) Made available for fee simple donation to public entities or qualified non-profit conservation organizations whose ownership will ensure the protection of beneficial public values.[18]

Further, the LCC Settlement provides that PG&E will not be expected to make fee simple donations of watershed lands that contain PG&E's, or a joint licensee's, hydroelectric project works.[19]

In accordance with the LCC Settlement, PG&E created an independent non-profit foundation called the Pacific Forest and Watershed Lands Stewardship Council (the Stewardship Council) to oversee its LCC. The Stewardship Council subsequently developed a Land Conservation Plan establishing a set of objectives to preserve and/or enhance the beneficial public values identified on each parcel of the watershed lands.

The Stewardship Council Board of Directors is representative of a full array of interests and expertise from environmental organizations, trade associations, Native American tribes, and federal, state, and local governments. The Stewardship Council Board of Directors comprises representatives from the California Natural Resources Agency, the California Department of Fish and Wildlife, the Central Valley Regional Water Quality Control Board, the Association of California Water Agencies, the Rural County Representatives of California, the California Hydropower Reform Coalition, the Trust for Public Land, the CPUC, the

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18 See D.03-012-035, Appendix C (approved LCC Settlement), and specifically Appendix E to the LCC Settlement, ¶ 1 (p. 28).

19 *Id*. The LCC Settlement refers to FERC "project works" as "project features."

Public Advocates Office, PG&E, the State Water Resources Control Board, the California Forestry Association, a Stewardship Council Appointee Representing California Tribal Interests, and the United States Department of Agriculture – Forest Service.

b. Implementation Status

The Stewardship Council Board of Directors has approved the 96 recommendations for fee donations and/or conservation easement or conservation covenant transactions necessary to fulfill the requirements of the LCC Settlement.[20] When fully implemented, these recommendations will result in the fee donation of approximately 38,724 acres to public entities and/or qualified non-profit conservation organizations and the retention of approximately 100,583 acres by PG&E.

As of the date of this filing, PG&E has completed 79 of the 97 recommended donation transactions. Of the remaining 18 transactions, four have received regulatory approvals and are in the closing process, two have been submitted and are awaiting regulatory approvals, and the remaining 12 are still in negotiations. PG&E expects to complete all donation transactions by the end of 2023.[21]

c. Compliance with the LCC Settlement

All the lands owned by PG&E subject to the LCC at the time of transfer will be conveyed to Pacific Generation. Following transfer of the lands, Pacific Generation will assume all responsibility for compliance with the requirements of the LCC Settlement as defined in D.03-12-035,

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20 The Stewardship Council was unable to achieve consensus on a recommendation for the donation of the fee interest in PG&E's "Burney Gardens" property. As a result, PG&E is negotiating the donation of the Burney Gardens property to the Pit River Tribe. The donation of the Burney Gardens property is included in the donation and retention acreages contained in this testimony and subject to all requirements of the LCC described herein.

21 The Stewardship Council has sought and received concurrence from the Commission (see Resolution (Res.) E-5171 (April 21, 2022)) to begin dissolution of the organization following PG&E's submittal of the final Advice Letter (AL) related to the fee donation of watershed lands. PG&E expects to complete implementation of Stewardship Council recommendations prior to dissolution of the Stewardship Council but will continue with implementation post-dissolution should implementation of the recommendations be delayed for any reason.

compliance with the requirements of the Conservation Easements on lands transferred to Pacific Generation, and all remaining obligations associated with donations of fee title in lands to public agencies and qualified non-profit conservation organizations in accordance with the terms and conditions of transaction agreements effectuating such donations.

The Conservation Easements run with the title of the property and bind all future owners, including Pacific Generation. For the avoidance of doubt, PG&E intends to enter into Conservation Easement Assignment and Assumption Agreements with Pacific Generation and all Conservation Easement Holders (non-profit entities that have the legal right to enforce the Conservation Easements) as part of this transaction to ensure full transparency, acknowledgement, and commitment by all parties to comply with the terms of the Conservation Easements. The form of Conservation Easement Assignment and Assumption Agreements is included as an exhibit to the Separation Agreement. The Conservation Easement Assignment and Assumption Agreement is not legally required by the Conservation Easements or the LCC but is provided to demonstrate mutual assent by PG&E, Pacific Generation, and the Conservation Easement Holders to the ongoing conservation requirements.[22]

If all donation transactions have not been completed prior to the transfer of real property from PG&E to Pacific Generation, PG&E will amend or withdraw, as appropriate, any ALs or applications that have been filed with but not yet approved by the Commission and/or the FERC. Pacific Generation will modify the donation transaction agreements to reflect the change in ownership and amend or resubmit ALs and/or applications to effectuate the transaction. For cases where a transaction has not been completed and no filings have been made with the Commission or FERC, Pacific Generation will assume the

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22 In the event a Conservation Easement Holder declines to enter into such agreement, PG&E and Genco will enter into a similar agreement pursuant to which Genco acknowledges its obligations under the Conservation Easements.

responsibility to complete such transactions and submit the necessary ALs and/or applications to effectuate their implementation.

d. Compliance with Conservation Easements

PG&E manages the compliance with conservation easements, including managing the relationships with easement holders, providing annual reports, engaging in monitoring reviews, and resolving issues that are inconsistent with terms of the conservation easements. Pursuant to the operations and services agreements, PG&E will continue to manage compliance with conservation easements on behalf of Pacific Generation.

3. Tribal Lands Transfer Policy (*D. Toy*)

The Commission's "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 Lands Policy") creates an expectation that IOUs selling land in tribes' ancestral territory will offer those tribes an opportunity to purchase that land "before putting the property on the market."[23] Since Pacific Generation will be an IOU regulated by the Commission, it will be subject to the Tribal Lands Policy,[24] such that any future transfers of fee interests by Pacific Generation would be subject to the policy.

4. Other Generation-specific Orders (*D. Toy*)

As mentioned previously, Pacific Generation will be an electrical corporation and public utility and it is understood that existing Commission orders will apply to Pacific Generation activities.

E. Application of the Regulatory Obligations Adopted by the Commission in D.20-05-053 to Pacific Generation (*D. Toy*)

The Commission adopted certain regulatory obligations and conditions for PG&E in connection with its decision approving PG&E and PG&E Corporation's POR. See D.20-05-053. Those obligations and conditions apply solely to

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23 Tribal Lands Policy at 1.

24 Tribal Lands Policy Guidelines, § 1.3(f) & (g) (definitions of IOU and of property subject to the policy).

PG&E, except (1) certain governance requirements apply to PG&E Corporation and (2) the disposition of assets by PG&E's subsidiaries and affiliates is subject to specific reporting and approval requirements, as discussed in Chapter 4.[25] Thus, by its terms, the obligations and conditions established in D.20-05-053 would not apply to Pacific Generation, which is a distinct entity from PG&E. In addition, the concerns that led to the establishment of those obligations and conditions were primarily based on the history of PG&E's safety and compliance, in relation to its natural gas distribution operations and wildfires related to PG&E's electric transmission and distribution system, rather than the generation assets that would be transferred to Pacific Generation.[26] Finally, pursuant to the intercompany agreements discussed in Chapter 4, PG&E personnel will continue to operate and maintain Pacific Generation's assets as they do today and consistent with PG&E's enterprise-wide functions, including safety. PG&E will remain responsible for the hiring, training, and oversight of those personnel, and PG&E will remain subject to the obligations and conditions established by D.20-05-053 that are designed to promote the safety of PG&E's operations. Accordingly, Applicants believe that those obligations and requirements would not apply to Pacific Generation. Nevertheless, the Applicants propose certain governance procedures that would advance the goals set forth in D.20-05-053 and that are consistent with Pacific Generation's status as an asset owner.

1. Safety Governance

Pacific Generation's Board will have ultimate responsibility for overseeing Pacific Generation. As noted, the responsibility for ensuring that Pacific Generation's assets are operated safely rests primarily with PG&E personnel. Pacific Generation's Board will oversee Pacific Generation's officers, who in turn have the authority and responsibility to oversee PG&E's performance of intercompany agreements pursuant to which such PG&E personnel will operate and maintain Pacific Generation assets. In addition,

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[25] As discussed in Section E of this chapter, the Applicants request that the Commission exempt Genco from the requirements imposed in D.20-05-053 with respect to asset dispositions by PG&E's subsidiaries and affiliates.

[26] See D.20-05-053 at 16-17; see also Pub. Util. Code § 3292(b)(1)(C) (requiring Commission to evaluate the POR in light of PG&E's "safety history, criminal probation, recent financial condition and other factors deemed relevant by the commission").

the Pacific Generation Board will approve budgets for capital expenditures and operating expenses. In evaluating such budgets, the Pacific Generation Board will be guided by safety considerations.

To support the Pacific Generation Board's oversight functions, Pacific Generation proposes to form a Management Team comprised, at a minimum, of the Pacific Generation President and PG&E personnel with responsibility for oversight of the operation and maintenance of Pacific Generation assets. Members of the Management Team will include individuals with safety expertise. The Management Team would oversee the manner in which Pacific Generation's assets are operated and maintained, with a particular focus on safety. The Management Team would report directly to Pacific Generation's Board regarding its findings and observations, including with respect to safety.[27]

Another layer of safety governance resides in the PG&E and PG&E Corporation Chief Safety and Risk Officer (CSRO). The CSRO is a position mandated by D.20-05-053, as modified by D.22-08-035,[28] whose duties include both public and workplace safety. The CSRO reports directly to the Safety and Nuclear Operations Committees of the PG&E Corporation and PG&E Boards, and also provides regular periodic reports to the Commission and Commission staff.[29] The PG&E CSRO has enterprise-wide responsibility for overseeing safety and risk, including Pacific Generation's assets. The transaction will not affect the CSRO's authority or responsibility. The CSRO will have access to the same information regarding the safety and risk attributes of Pacific Generation's assets as at present. In addition, if the Management Team obtains information pertaining to the safety and risk of Pacific Generation's assets, the Management Team would share such information directly or indirectly with the CSRO.

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27 The Management Team is not envisioned as a decision-making body, though individuals who are members of the Management Team may have decisional authority pursuant to intercompany agreements as references in Chapter 4.

28 In D.22-08-035, the Commission granted PG&E's petition for modification in order to eliminate the requirement of a separate Chief Risk Officer and Chief Safety Officer in favor of a combined CSRO.

29 D.20-05-053 at 19.

Finally, the PG&E Corporation and PG&E Safety and Nuclear Oversight Committees will provide yet another layer of safety governance with respect to Pacific Generation. D.20-05-053 "clarifies and expands the authority of the Safety and Nuclear Oversight (SNO) Committees of PG&E's boards of directors," including oversight over, among other things, compliance with PG&E's Safety and Operational Metrics, as well as "the authority to hire third-party safety and utility operations experts."[30] To the extent those metrics are applicable to Pacific Generation, the SNO Committee will maintain oversight over those results. D.20-05-053 further requires that the SNO Committees provide "periodic reporting to the boards of directors and Commission staff" and that PG&E "serve reports summarizing meetings with CPUC staff to stakeholders."[31] Any periodic reports to Commission staff by PG&E's SNO Committee will include any pertinent information on Pacific Generation, as appropriate.

2. Independent Safety Monitor

D.20-05-053 ordered that PG&E have "an Independent Safety Monitor that will report to the Commission and be functionally equivalent to the federal court monitor."[32] PG&E filed AL 4401-G/6116-E to comply with this requirement and the Commission issued Res.M-4855 approving and denying elements of the AL. Res.M-4855 sets the scope of work for the Independent Safety Monitor. The non-nuclear generation business is not a specific focus for the work of the Independent Safety Monitor, but if the Commission determines in the future that the Independent Safety Monitor should include Pacific Generation in its scope of work, Pacific Generation would comply with any such directive.

3. The Enhanced Oversight and Enforcement Process

In D.20-05-053 the Commission adopted an Enhanced Oversight and Enforcement Process (EOEP), which is a 6-step process:

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30 *Id.* at 23.

31 *Id.* at 23-24.

32 *Id.* at 22.

> …designed to provide a clear roadmap for how the Commission will closely monitor PG&E's performance in delivering safe, reliable, affordable, clean energy.[33]

Pacific Generation proposes that it would independently be subject to the EOEP set forth in D.20-05-053 and would move independent of PG&E within the EOEP's various steps. In other words, Pacific Generation would report triggering events specific to Pacific Generation's assets and business, and the Commission would consider placing Pacific Generation into (or advancing Pacific Generation's position in) the EOEP based on such triggering events.

On April 15, 2021, the Commission issued Res.M-4852 placing PG&E into step 1 of the EOEP. Res.M-4852 identified the triggering event as "[i]nsufficient [p]rogress [t]oward [a]pproved [s]afety or [r]isk-[d]riven [i]nvestment [r]elated to [i]ts [e]lectric [b]usiness."[34]

The Commission based its determination on a finding that PG&E insufficiently prioritized its Enhanced Vegetation Management based on risk. Consistent with the proposed approach described above, since the basis of and rationale for the Commission placing PG&E into Step 1 of the EOEP was unrelated to PG&E's generation business or the assets it proposes to transfer to Pacific Generation, upon closing of the transaction Pacific Generation would start outside of the EOEP.

4. Safety and Operational Metrics

In D.20-05-053 the Commission "call[ed] for the development of safety and operational metrics" to be proposed by PG&E "in an appropriate proceeding."[35] The decision provided guidance that these be:

> …[a]ttainable Safety and Operational Metrics that, if achieved, would ensure that PG&E provides safe, reliable and affordable service consistent with California's clean energy goals.[36]

In D.21-11-009 the Commission "adopted 32 Safety and Operational Metrics for Pacific Gas and Electric Company (PG&E), to be used in

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33 *Id.* at 53.

34 Res.M-4852 (Apr. 16, 2021) at 1 (Step 1 triggering event A(iii)).

35 D.20-05-053 at 38.

36 *Id.*

accordance with Decision (D.) 20-05-053," and "require[d] PG&E to report on these Safety and Operational Metrics every six months starting March 31, 2022."[37] PG&E's existing reports on safety and operational metrics include relevant information related to the generation business,[38] and upon the closing of the transaction, PG&E and Pacific Generation propose to submit joint reports consistent with the requirements of D.21-11-009.

F. Pacific Generation and PG&E's Compliance With the Commission's Affiliate Transaction Rules and Holding Company Conditions (*D. Toy*)

1. Affiliate Transaction Rules

Pacific Generation will be subject to the Commission's ATR as an electrical corporation whose gross annual operating revenues in California are expected to exceed $1 billion.[39] Pacific Generation is not an "affiliate" of PG&E under the ATR because it falls within the exception for:

> …[r]egulated subsidiaries of a utility, defined as subsidiaries of a utility, the revenues and expenses of which are subject to regulation by the Commission and are included by the Commission in establishing rates for the utility, are not included within the definition of affiliate.[40]

Upon consummation of the Proposed Transaction, Pacific Generation will be a certificated subsidiary of PG&E whose revenues and expenses are subject to regulation by the Commission and included in PG&E's General Rate Case. Thus, Pacific Generation will qualify as a regulated subsidiary of PG&E for purposes of the rules and Pacific Generation and PG&E will not be considered "affiliates" of one another. For the same reason, where the ATR refer to the utility's "holding company" or "parent holding company," those rules should be construed to apply as between Pacific Generation and PG&E Corporation (the ultimate holding company), and not as between Pacific Generation and PG&E. For example, Rule V.E imposes certain

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37 D.21-11-009 at 2.

38 R.20-07-013, PG&E's (U398M) Safety and Operational Metrics Report (April 1, 2021) at 1.3-9 (discussing PG&E's Power Generation Compliance Program and its Dam Safety Surveillance and Monitoring Program).

39 D.06-12-029, Appendix A-3, at 3 (Rule II.A).

40 *Id.* at 2 (Rule I.A.).

restrictions on the sharing of services "if a utility and its parent holding company share any key officers."[41] This rule would apply to the sharing of key officers between Pacific Generation and PG&E Corporation, but would not apply to the sharing of key officers between Pacific Generation and PG&E.[42]

While Pacific Generation and PG&E would not be affiliates of one another, Pacific Generation's interactions with any covered affiliates of PG&E (and/or of Pacific Generation) would be subject to the ATR.[43] In addition, certain rules apply directly to Pacific Generation itself. Rule IX.A requires each utility to provide the Commission an annual report setting forth certain financial information regarding capital investments, dividends, and related information. While Pacific Generation would not have some of the specified information,[44] Pacific Generation would comply with this rule by providing the applicable information to the Commission in an annual filing, which may be jointly submitted by PG&E and Pacific Generation. In addition, Rule IX.B requires a utility to maintain a balanced capital structure. Pacific Generation would comply with this rule by monitoring its equity ratio and filing an application for a waiver if required.[45]

Since Pacific Generation will be considered a regulated subsidiary of PG&E, PG&E and Pacific Generation anticipate that PG&E and Pacific Generation would submit a joint annual ATR compliance plan to the

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41 *Id.* at 12 (Rule V.E).

42 While the Applicants believe it is clear that Genco would not be an "affiliate," in the event the Commission concludes otherwise, Applicants request that the Commission exercise its discretion to exempt Genco from the definition of "affiliate" and to refrain from applying the ATR to the relationship between Genco (and any wholly-owned subsidiaries) and PG&E. See ATR II.D (ATRs apply to transactions between a Commission-regulated utility and another affiliated utility, unless specifically modified by the Commission in addressing a separate application to merge or otherwise conduct joint ventures related to regulated service); D.98-03-073, 79 CPUC 2d 343, 1998 WL 211974 (SDG&E-SoCalGas decision).

43 See *id*. at 2 (Rule I.A) ("these Rules apply to all interactions any regulated subsidiary has with other affiliated entities covered by these rules").

44 For example, Genco would not have a procurement function, and as such Rule IX.A.2 would not apply.

45 Rule IX.C imposes a one-time requirement within three months of the effective date of D.06-12-029 to provide a non-consolidation opinion. Applicants do not believe that this rule applies here.

Commission. PG&E anticipates updating its compliance plan following a final decision in this proceeding.

PG&E and Pacific Generation also expect that the Minority Investor(s) will not qualify as an affiliate under the ATR, which define affiliate as:

> …any person, corporation, utility, partnership, or other entity [1] 5 per cent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as [2] any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or [3] indirectly have substantial financial interests in the company exercised through means other than ownership.[46]

Although the identity of the Minority Investor(s) is not yet known, PG&E and Pacific Generation do not anticipate that: (1) they or any of their subsidiaries will have an ownership stake in Minority Investor(s); (2) they or any of PG&E's affiliates will exert substantial control over the operation of Minority Investor(s); or (3) that they or any of PG&E's affiliates will have a substantial financial interest other than ownership in the Minority Investor(s). Moreover, PG&E and Pacific Generation also do not anticipate that the Minority Investor(s) or any of the related special purpose entities involved in the Proposed Transaction would qualify as "engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity" under Rule II.B. *Id.* at 3 (Rule II.B.).

2. Holding Company Conditions

In addition to the ATR, the Commission imposed certain other requirements on subsidiaries of PG&E in the decision approving the formation of PG&E Corporation as a holding company (the Holding Company Decision).[47] These requirements include, among other things, accounting procedures and controls relating to cost allocations and transfer pricing,[48] use of Generally Accepted Accounting Principles and the Uniform

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46 *Id*. at 1 (Rule I.A, brackets added.).

47 D.96-11-017, 69 CPUC 2d 167, 1996 WL 752962. The Commission modified D.96-11-017 in certain respects in D.99-04-068, 86 CPUC 2d 76.

48 *Id.*, OP 6.

System of Accounts,[49] witness availability,[50] submission of financial information,[51] and reporting on the sale or transfer of tangible assets to or from affiliates.[52]

The Holding Company Decision also includes three conditions that by their terms apply only to PG&E, but which Applicants believe are reasonable to extend to Pacific Generation as a regulated utility subsidiary of PG&E. First, the Holding Company Decision requires PG&E to maintain a balanced capital structure.[53] This requirement subsequently was incorporated into the ATR, as discussed above. Second, the Holding Company Decision requires PG&E's dividend policy to be established by PG&E's Board of Directors as though PG&E were a comparable stand-alone utility company.[54] As discussed in Chapter 5, the LLC Agreement includes language providing that Pacific Generation's distribution policy will be maintained as though Pacific Generation were a comparable stand-alone utility company. Third, the Holding Company Decision prohibits PG&E from guaranteeing notes, debentures, debt obligations, or other securities of its holding company or subsidiaries without prior Commission approval.[55] Pacific Generation likewise will not guarantee such obligations without prior Commission approval.[56]

One other Holding Company Decision condition warrants mention. The First Priority Condition currently states:

> The capital requirements of PG&E, as determined to be necessary and prudent to meet the obligation to serve or to operate the utility in a prudent and efficient manner, shall be given first priority by PG&E Corporation's Board of Directors.[57]

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49 *Id.*, OP 7.

50 *Id.*, OP 8.

51 *Id.*, OP 9.

52 *Id.*, OP 12.

53 *Id.*, OP 14.

54 *Id.*, OP 15.

55 *Id.*, OP 16.

56 See Chapter 6, where Genco requests authority to guarantee securities of regulated direct or indirect subsidiaries or affiliates.

57 D.99-04-068, OP 8 (modifying OP 17 of D.96-11-017).

To accommodate Pacific Generation's status as a regulated subsidiary of PG&E, the Applicants request that the Commission modify the condition to state:

> The capital requirements of PG&E and Pacific Generation, as determined to be necessary and prudent to meet the obligation to serve or to operate the utility in a prudent and efficient manner, shall be given first priority by PG&E Corporation's Board of Directors.

3. POR Decision

The Commission imposed certain additional requirements, with respect to PG&E's subsidiaries and affiliates, in its decision considering PG&E's POR—D.20-05-023.[58] Specifically, D.20-05-053 requires that PG&E "provide quarterly reports to the Commission's Energy Division of the sale or encumbrance of any assets of its affiliates or subsidiaries" and also requires PG&E to seek prior Commission approval for "[a]ny sale or encumbrance of assets of affiliates or subsidiaries over which PG&E or PG&E Corporation has control and that has a value over $5 million."[59]

PG&E and Pacific Generation request that Pacific Generation be exempted from these additional requirements of D.20-05-053. Because these requirements apply only to "affiliates or subsidiaries," they do not currently apply to PG&E's generation business. And in light of Pacific Generation's status as a regulated subsidiary and an independently certificated utility, Pub. Util. Code Section 851 will squarely apply to Pacific Generation in the same manner as it currently applies to the non-nuclear generation business as part of PG&E. This renders the additional requirements in D.20-05-053 unnecessary as they relate to Pacific Generation. Moreover, applying them to Pacific Generation would be burdensome, particularly in light of the number of ordinary course leases, licenses, easements, and other encumbrances related to the generation assets involved in the Proposed Transaction and the potential for an accounts receivable financing facility.

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58 See D.20-05-023 at 37, 103, 106.

59 *Id.* at 37.

PACIFIC GAS AND ELECTRIC COMPANY

APPENDIX A

STATEMENTS OF QUALIFICATIONS

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF MARGARET K. BECKER

Q 1 Please state your name and business address.

A 1 My name is Margaret K. Becker, and am currently working remotely as the company transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland California.

Q 2 Briefly describe your responsibilities at Pacific Gas and Electric Company (PG&E or the Utility).

A 2 I am a Vice President and Treasurer. In addition to managerial duties, I lead a team responsible for numerous aspects of PG&E's Treasury operations. These responsibilities have included financing, administration of debt obligations, investment management, cash management, accounts payable, and liquidity risk management. I also manage the Utility's rating agency and bank relationships.

Q 3 Please summarize your educational and professional background.

A 3 I joined PG&E after graduating from Harvard Business School with a Master's degree in Business Administration. I also hold a Bachelor's degree in Economics from Stanford University. During my twelve years at the Utility, I have served in multiple positions overseeing its financial activity, including serving as a Senior Manager in the Financial Forecasting and Analysis Department and Assistant Treasurer for four years prior to my current role. In my current role as Treasurer, I have raised significant debt and equity capital to support utility operations.

Q 4 What is the purpose of your testimony?

A 4 I am co-sponsoring the following testimony in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 6, "Pacific Generation's Financial Condition";
  - Sections A and E; and
- Chapter 7, "Impact of the Transaction on PG&E and Rates":
  - Sections A, B.2, B.3, and B.4.

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF ERICA BROWN

Q 1 Please state your name and business address.

A 1 My name is Erica Brown, and am currently working remotely as Pacific Gas and Electric Company (PG&E) transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland, California.

Q 2 Briefly describe your responsibilities at PG&E.

A 2 I am the Director of Energy Policy Analysis and Design. In this position, I am responsible for PG&E's position on a variety of energy policy topics including regulations impacting energy procurement (e.g., Renewable Portfolio Standard, Resource Adequacy), valuation of distributed energy resources (e.g., Avoided Cost Calculator, Net Energy Metering), and portfolio planning, forecasting, and cost recovery (e.g., Energy Resource Recovery Account, Integrated Resource Plan).

Q 3 Please summarize your educational and professional background.

A 3 I earned a Bachelor of Arts in English Literature from New York University and a Master of Public Policy from the University of Michigan.

I have worked at PG&E for 7 years where I have held a variety of energy policy roles. I started my career at PG&E as an analyst working on California Independent System Operator market policy before switching to an analyst position working on California Public Utilities Commission procurement policy. I subsequently moved into a leadership position and have held positions as Manager, Senior Manager, and now Director working on energy policy and portfolio forecasting within the Energy and Procurement Policy department at PG&E.

Q 4 What is the purpose of your testimony?

A 4 I am sponsoring the following testimony in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 9, Section D, "Ratemaking Proposals for Cost Recovery of Pacific Generation's Authorized Revenue Requirement."
  - Section D.

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF BENJAMIN KOLNOWSKI

Q 1 Please state your name and business address.

A 1 My name is Benjamin Kolnowski, and am currently working remotely as Pacific Gas and Electric Company (PG&E) transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland, California.

Q 2 Briefly describe your responsibilities at PG&E.

A 2 I am the Manager of Electric Rates within the Regulatory and External Affairs organization at PG&E. In this capacity, I am responsible for overseeing the development of electric rates, including rate design proposals for presentation, review, and approval by the California Public Utilities Commission.

Q 3 Please summarize your educational and professional background.

A 3 I received a Bachelor of Science degree in Mechanical Engineering from University of California, Los Angeles in June 2012. From 2012 through 2015, I worked as an Engineer in PG&E's Gas System Planning Department. From 2015 through 2016, I joined the Strategy, Technology, and Support team at PG&E, where I developed technology, processes, and procedures to support the Gas System Planning Department.

I received a Master's degree in Business Administration (MBA) from the Anderson School of Business at University of California, Los Angeles in June 2018. After completing this degree, I rejoined PG&E in September 2018 as an MBA Associate, working in the Rates Department within the Regulatory and External Affairs organization on rotation. In April 2019, I permanently joined the Rates Department as an Expert Data Scientist. One of my main responsibilities in both roles had been to develop the electric sales and customer forecasts used for electric rate design. In February 2020, I entered my current role managing the Electric Rates team and have sponsored PG&E rate design proposals in various proceedings including the Energy Resource and Recovery Account Forecast proceeding and General Rate Cases.

Q 4 What is the purpose of your testimony?

A 4 I am co-sponsoring the following testimony in S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 10, “Pacific Generation’s Rates, Tariffs, and Memorandum and Balancing Accounts”:
  - Section A, B, and D; and
- Chapter 10, Attachment A, “Joint PG&E-Pacific Generation Preliminary Statement—Joint Rate Schedule Summary.”

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF STEPHANIE A. MAGGARD

Q 1 Please state your name and business address.

A 1 My name is Stephanie A. Maggard, and I am currently working remotely as the company transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland California.

Q 2 Briefly describe your responsibilities at Pacific Gas and Electric Company (PG&E or the Company).

A 2 I am the Director of PG&E's Generation Asset Strategy Department, which is responsible for the business operations, regulatory, and compliance functions for Power Generation. My team is responsible for developing and implementing long term strategies for PG&E's utility-owned generation assets to support the Company's goals on affordability, reliability, and energy supply.

Q 3 Please summarize your educational and professional background.

A 3 I received a Bachelor of Arts degree in Economics from University of California, Santa Cruz, in 1988; and a Master of Science degree in Applied Economics from University of California, Santa Cruz, in 1989. I began my career at PG&E as a Rates Analyst in 1989. Since then, I have held numerous positions, with increasing levels of responsibility in regulation, accounting, finance, and operations. I have been in my current position since 2016.

Q 4 What is the purpose of your testimony?

A 4 I am co-sponsoring the following testimony S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 3, "Description of Pacific Generation";
- Chapter 9, "Ratemaking":
  - Sections A, B, and C; and
- Chapter 10, "Pacific Generation's Rates, Tariffs, and Memorandum and Balancing Accounts":
  - Sections A and C.

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF ELIZABETH MIN

Q 1 Please state your name and business address.

A 1 My name is Elizabeth Min, and am currently working remotely as Pacific Gas and Electric Company (PG&E) transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland, California.

Q 2 Briefly describe your responsibilities at PG&E.

A 2 I am a Senior Director of Tax and am responsible for the corporate tax department of PG&E.

Q 3 Please summarize your educational and professional background.

A 3 I received a Bachelor of Science degree in Biochemistry from University of California at Berkeley and Master's in Accounting with specialization in Tax from Northern Illinois University. Prior to coming to PG&E, I worked at Coopers & Lybrand LLP, PricewaterhouseCoopers LLP, and Ernst & Young LLP as Tax Consultant specializing in tax accounting and planning. I also headed up the Tax Department for Longs Drug Stores.

Q 4 What is the purpose of your testimony?

A 4 I am sponsoring the following testimony in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 8, "Taxation";
- Chapter 8, Attachment A, "Step Chart";
- Chapter 8, Attachment B, "Calculation of Additional Shareholder Contributions"; and
- Chapter 8, Attachment C, "Pro Forma Contributions to Customer Credit Trust."

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF JOHN PLASTER

Q 1 Please state your name and business address.

A 1 My name is John Plaster, and am currently working at Barclays.

Q 2 Briefly describe your responsibilities at Barclays.

A 2 I am the Managing Director and Head of Power and Utilities of Americas at Barclays.

Q 3 Please summarize your educational and professional background.

A 3 I was previously a Managing Director at Lehman Brothers. I have over 25 years of investment banking experience working extensively with regulated utilities, independent power producers, and renewable energy companies across a wide spectrum of disciplines, including financial advisory, equity and equity-linked finance, high grade and high yield debt finance, structured finance, restructuring 1 and commodities. I have a Juris Doctorate degree from Vanderbilt University Law School, Order of the Coif, and Bachelor of Arts in Economics, Cum Laude, from Wabash College.

Q 4 What is the purpose of your testimony?

A 4 I am co-sponsoring the following testimony in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 5, "Transaction & Sale Process, Minority Governance, & Distributions."
  - Section A.
- Chapter 6, "Pacific Generation's Financial Condition."
  - Sections A, B, C, and D.
- Chapter 7, "Impact of the Transaction on PG&E and Rates."
  - Sections A and B.1.

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF DIVYA RAMAN

Q 1 Please state your name and business address.

A 1 My name is Divya Raman, and am currently working remotely as the company transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland California.

Q 2 Briefly describe your responsibilities at Pacific Gas and Electric Company (PG&E).

A 2 I am a Manager in the Capital Accounting and Regulatory Recovery section of the Finance and Risk Department, where I am responsible for producing and supervising the preparation of revenue requirement models and sponsoring related testimony.

Q 3 Please summarize your educational and professional background.

A 3 I received my Bachelor of Science degree in Management from Birla Institute of Technology and Science, India in 2005. I also received my Master of Science degree in Finance from London Business School in 2009.

I started my career at PG&E in 2012 as a Senior Analyst on the Capital Recovery and Analysis team and was promoted to Expert Analyst in 2013. My responsibilities included analysis and presentation of Depreciation Expense, Plant and Rate base in various rate cases. I was the Plant and Rate base, Depreciation Expense witness in PG&E's first formula rate Transmission Owner filing.

In 2018, I was promoted to Principal Analyst in the Financial Forecasting and Revenue Requirements team. My focus in this position included reviewing PG&E's revenue requirement in the 2019 Gas Transmission and Storage, 2020 General Rate Case, as well as PG&E's 2018 and 2019 Catastrophic Event Memorandum Account filings. In 2020, I was promoted to my current position as Manager of the Revenue Requirement and Regulatory Results of Operations team. My responsibilities in this position include production and supervision of revenue requirement calculations for regulatory filings and being the expert witness for revenue requirements.

Q 4 What is the purpose of your testimony?

A 4 I am co-sponsoring the following testimony in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 9, "Ratemaking":
  - Section C.

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF SIENNA ROGERS

Q 1 Please state your name and business address.

A 1 My name is Sienna Rogers, and am currently working remotely as Pacific Gas and Electric Company (PG&E) transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland, California.

Q 2 Briefly describe your responsibilities at PG&E.

A 2 I am the Director of Corporate Development and Economic Analytics for PG&E Corporation. I oversee evaluation and implementation of transactions which can improve PG&E's financial health including asset sales that can reduce debt and improve the company's balance sheet. Corporate Development and Economic Analytics also performs financial modeling to analyze the strategic and financial questions facing PG&E and provides economic analysis support to PG&E's lines of business when evaluating large capital projects and new business opportunities.

Q 3 Please summarize your educational and professional background.

A 3 I joined PG&E in 2006 through its leadership development program and have held a number of roles across strategy, policy, and finance functions. I have led the formation of several strategy development teams focused on the changing energy landscape, including the evolution of the energy supply portfolio and the changing role of distributed energy resources in the energy value chain. Some of those roles include Director of Corporate Strategy, Director of Energy Policy Initiatives, and Director of Grid Integration and Innovation. My finance roles at PG&E included Director of Restructuring Strategy, Manager of Enterprise Forecasting and Analysis, and Manager of Investor Relations. Prior to PG&E, Sienna worked in the financial sector, first for Schroder & Co. and then JPMorgan Chase, supporting origination and structuring of corporate transactions and analyzing investment and credit risk of companies in a wide range of industries. She has a Bachelor's degree in Economics and Computer Science from Duke University and a Master's degree of Business Administration from Dartmouth's Tuck School of Business.

Q 4 What is the purpose of your testimony?

A 4 I am sponsoring the following rebuttal testimony in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 5, "Transaction & Sale Process, Minority Governance, & Distributions":
  - Section B, C, and D;
- Chapter 5, Attachment A, "Form of Amended and Restated LLC Agreement of Pacific Generation"; and
- Chapter 5, Attachment B, "Form of Minority Sale Agreement."

Q 4 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF MICHAEL SCHONHERR

Q 1 Please state your name and business address.

A 1 My name is Michael Schonherr, and am currently working remotely as Pacific Gas and Electric Company (PG&E) transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland, California.

Q 2 Briefly describe your responsibilities at PG&E.

A 2 I am the Director of Power Generation Planning at PG&E. I oversee the development of the utility-owned generation portfolio strategy; development of strategic agreements for asset sales, acquisition, special agreements, and related California Public Utilities Commission and Federal Energy Regulatory Commission (FERC) filings; the management of partnership agreements related to the coordinated operation of generation facilities with other utilities; asset investment analysis; new project development; and implementation of PG&E's Land Conservation Commitment (LCC), both internal to PG&E and as PG&E's representative on the Pacific Forest and Watershed Lands Stewardship Council Board of Directors, as Board member, Vice President, Treasurer, and Assistant Secretary.

Q 3 Please summarize your educational and professional background.

A 3 I possess a Bachelor of Science in Surveying Engineering from California State University (CSU), Fresno and a Master of Business Administration from St. Mary's College in Moraga, California. I am also a California Registered Professional Land Surveyor. Following my graduation from CSU, Fresno, I worked as a Land Surveyor at a consulting engineering firm for about a year, then began my employment with PG&E in November 1984. During my nearly 38-years with PG&E, I have held a variety of increasingly responsible positions, including management the routing and siting of major gas and electric facilities, negotiation and acquisition of regulatory approvals and government entitlements for the installation, operation, and maintenance of utility facilities, support of FERC licensing and license compliance, the development of strategic real estate plans, financial analysis, and oversight of major commercial real estate transactions,

implementing business process improvement intiatives, oversight and implementation of PG&E's LCC, overseeing Power Generation asset management, acting as Power Generation Chief of Staff, overseeing the Power Generation engineering and construction functions, and now in my role as Director of Power Generation Planning.

Q 4 What is the purpose of your testimony?

A 4 I am co-sponsoring the following testimony in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 2, "Description of Property and Assets to Be Transferred and Liabilities to Be Assumed";
- Chapter 2, Attachment A, "Form of Separation Agreement";
- Chapter 2, Attachment B, "Representative Maps and Aerial Photographs That Visually Depict the Assets and Real Property to be Transferred to Pacific Generation";
- Chapter 2, Attachment C, "Summary of Third-Party Uses on the Land to Be Transferred to Pacific Generation";
- Chapter 3, "Pacific Generation's Future Relationship With PG&E":
  - Section B4; and
- Chapter 11, "Compliance Obligations of Pacific Generation":
  - Sections A and D.2.

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF DAVID S. THOMASON

Q 1 Please state your name and business address.

A 1 My name is David S. Thomason, and am currently working remotely as Pacific Gas and Electric Company (PG&E) transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland, California.

Q 2 Briefly describe your responsibilities at PG&E.

A 2 I am the Vice President, Chief Financial Officer and Controller of PG&E. I oversee Corporate Accounting, Capital Accounting and Regulatory Recovery, Tax and Company Financial Planning and Analysis.

Q 3 Please summarize your educational and professional background.

A 3 I received a Bachelor of Science degree in Accounting, from the University of Oregon in 1997. After my undergraduate program, I worked in the Portland office of Arthur Andersen and Company as an Auditor in the Financial Statement Assurance Practice and became licensed as a Certified Public Accountant in May 2000. I moved to California in 2001 where I joined PG&E as a Senior Analyst in the Technical Accounting group within the Corporate Accounting Department. Subsequently, I held positions as the financial reporting Supervisor and energy accounting Manager in the same department. In 2004, I moved into the Management Reporting Department as the analysis and reporting Manager responsible for short-term budgeting and variance analysis. My work in that department continued through 2007 and included positions such as Manager of finance transformation, cost accounting and client services. I moved into the Manager of financial forecasting position within the Financial Planning and Analysis Department in 2007 where I focused on longer-term financial forecasting. In 2008, I transferred into the Analysis and Rates Department in the Regulatory Relations organization and was promoted to Director of Revenue Requirements and Analysis in August 2009. I received a Master's degree in Business Administration from the Haas School of Business at the University of California, Berkeley in December 2009, became the Director of Financial Forecasting and Analysis in October 2011 and was promoted to

Senior Director in September 2012. I was appointed as Vice President, Chief Financial Officer and Controller of PG&E in 2016 and remain in that position today. I hold current licenses as a certified Public Account in California and Oregon (inactive) and am Vice Chair of the Edison Electric Institute Accounting Executive Advisory Committee.

Q 4 What is the purpose of your testimony?

A 4 I am sponsoring the following rebuttal testimony in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 1, "Policy."

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF DEANNA C. TOY

Q 1 Please state your name and business address.

A 1 My name is Deanna C. Toy, and am currently working remotely as Pacific Gas and Electric Company (PG&E or Company) transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland, California.

Q 2 Briefly describe your responsibilities at PG&E.

A 2 I am the Director of the California Public Utilities Commission (Commission) Electric Proceedings Department in Regulatory Affairs where I and my department are responsible for the development and management of PG&E's regulatory filings at the Commission related to the Company's electric operations and energy supply. I have been in my current position since August 2017.

Q 3 Please summarize your educational and professional background.

A 3 I hold a Bachelor of Science degree in Electrical Engineering from California Polytechnic State University, San Luis Obispo and a Master of Business Administration degree from University of San Francisco. I have been employed at PG&E from 1989-1998 and from 2002 to present, during which time I have held a series of analytical and leadership positions in various PG&E organizations.

Q 4 What is the purpose of your testimony?

A 4 I am co-sponsoring the following testimony in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 11, "Compliance Obligations of Pacific Generation."
  - Sections A, B, C, D, D.1, D.3, D.4, E, and F.

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.

PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF ANDREW K. WILLIAMS

Q 1 Please state your name and business address.

A 1 My name is Andrew K. Williams, and am currently working remotely as Pacific Gas and Electric Company (PG&E) transitions from its prior location at 77 Beale Street, San Francisco, California to 300 Lakeside Drive, Oakland, California.

Q 2 Briefly describe your responsibilities at PG&E.

A 2 I joined PG&E in 2007, and currently serve as Vice President of Shared Services. I oversee the following PG&E functions: Land and Environmental Management; Corporate Real Estate Strategy and Services; Transportation Services; Aviation Services; and Environmental Remediation.

Q 3 Please summarize your educational and professional background.

A 3 I have a Bachelor's degree in Economics from Louisiana State University and a Juris Doctor degree from Loyola University, New Orleans. I am licensed to practice law in the states of: Louisiana, Florida, Pennsylvania, and California. Before joining PG&E, I worked for 10 years at PPL, formerly Pennsylvania Power and Light, as legal counsel for the Human Resource, Safety, Health and Security functions. Prior to that, I worked for law firms where my principal clients were electric and gas utilities. I have over 20 years of experience working with, and for, the utility industry. I am on inactive status in all jurisdictions where I am admitted to practice law.

Q 4 What is the purpose of your testimony?

A 4 I am sponsoring the following testimony and workpapers in PG&E's S851 Transfer of Non-Nuclear Generation Portfolio and Sale of Minority Interest:

- Chapter 4, "Pacific Generation's Future Relationship with PG&E":
  - Sections A, B, B1, B2, B3, B5, B6, and C.

Q 5 Does this conclude your statement of qualifications?

A 5 Yes, it does.