

Final LCCP

September 20, 2017



Stewardship
Council

Land Conservation and Conveyance Plan

Select Parcels (Deer Creek Parcels) at
Lake Spaulding and Bear River
Planning Units (NID)

Executive Summary

Subject

LCCP Lake Spaulding and Bear River Planning Units (Deer Creek - NID) Land Conservation Plan Identification Number (Parcels) 825-827, portion of 839, 840 and 842 as shown on the map attached as Exhibit 1.

Type of Property Interest Disposition

Bear Yuba Land Trust (BYLT) to hold the conservation easement on 782 acres in Parcels 825-827, portion of 839, 840 and 842, which will be owned in fee by the Nevada Irrigation District (NID) pursuant to a proposed PG&E asset sale of the approximately 782 acre property to NID that is being pursued outside of PG&E's Land Conservation Commitment.

Summary

782 acres within Parcels 825-827, portion of 839, 840 and 842 are the subject of this LCCP. PG&E intends to transfer these 782 acres to the Nevada Irrigation District (NID) pending Federal Energy Regulatory Commission (FERC) and California Public Utilities Commission (CPUC) approval. As a condition precedent to closing, immediately after the property is transferred to NID, NID will enter into a conservation easement with BYLT that will encumber all 782 acres in Parcels 825-827, portion of 839, 840 and 842. The remaining acres within the Lake Spaulding and Bear River planning units have been recommended for donation to the US Forest Service, the University of California, or retention by PG&E, and are/will be the subject of separate LCCPs.

Property Location

The property subject to this LCCP consists of 782 acres in Nevada County surrounding Deer Creek Forebay and Powerhouse and the South Yuba Canal.

Economic Uses and Agreements

There is one unrecorded encumbrance or existing agreement for communication facilities or economic uses on the 782 acres within Parcels 825-827, portion of 839, 840 and 842 in the Lake Spaulding and Bear River planning units. There are recorded agreements on the property for roads, trails and a water transmission conduit.

Preserving and/or Enhancing the Beneficial Public Values

The conservation easement on the property lists the following Beneficial Public Values (BPVs) that are to be protected:

- Habitat for plants, trees and wildlife that are native to the area. Occurrences of species protected under the California Endangered Species Act and the Federal Endangered Species Act.
- Scenic character of the Property, including viewsheds from adjoining public lands.
- Recreational access and use for hiking, picnicking, and fishing.
- Plant, tree, and wildlife habitat that supports the health of the watershed and well-managed forests, protects against forest fires, and promotes climate stability.
- Historical and cultural resources, including plants related to historic Native American uses.

Tax Neutrality

Since the asset sale would be completed outside of PG&E's Land Conservation Commitment, there is no obligation under the Settlement Agreement and Stipulation for the land transfer to NID to be tax neutral to Nevada County.

Hazardous Waste Disclosure

PG&E confirms it has provided the Lake Spaulding and Bear River Summary of Potential Environmental Issues on Land to be Retained, dated October 25, 2011 and December 1, 2011, to BYLT, fulfilling the disclosure requirements of the Land Conservation Commitment.

Consideration of Parcel Split

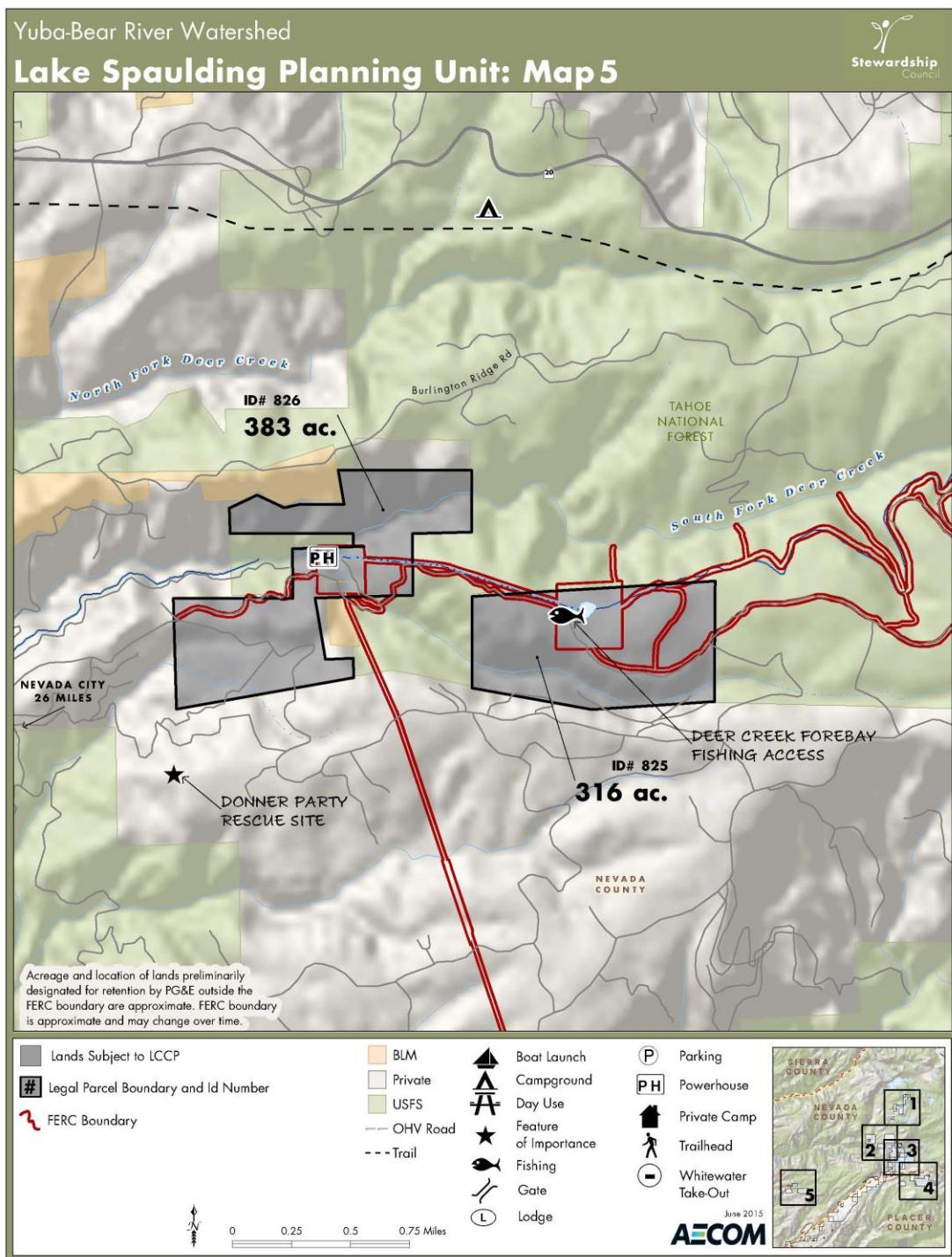
Within Parcels 825-827, portion of 839, 840 and 842, approximately 782 acres are proposed for sale to NID. At closing, the 782 acre property as well as the remainder of the parcels must comply with the California Subdivision Map Act (Government Code Section 66410, et seq.) as separate legal parcels. Certain exemptions to the Map Act apply to public utilities and/or to governmental entities and may apply to this conveyance.

**Applicable CEQA Exemption(s) or Reason Why Transaction is not a
“Project Under CEQA”**

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

The transaction for the Lake Spaulding and Bear River parcels does not propose a direct physical change or other actions that would result in a reasonable foreseeable indirect physical change in the environment; therefore, the Stewardship Council does not believe that the transaction is a project under CEQA.

Exhibit 1. Map of the Property



Lake Spaulding & Bear River Planning Units LCCP (Deer Creek - NID) September 20, 2017

Yuba-Bear River Watershed

Bear River Planning Unit: Map 1

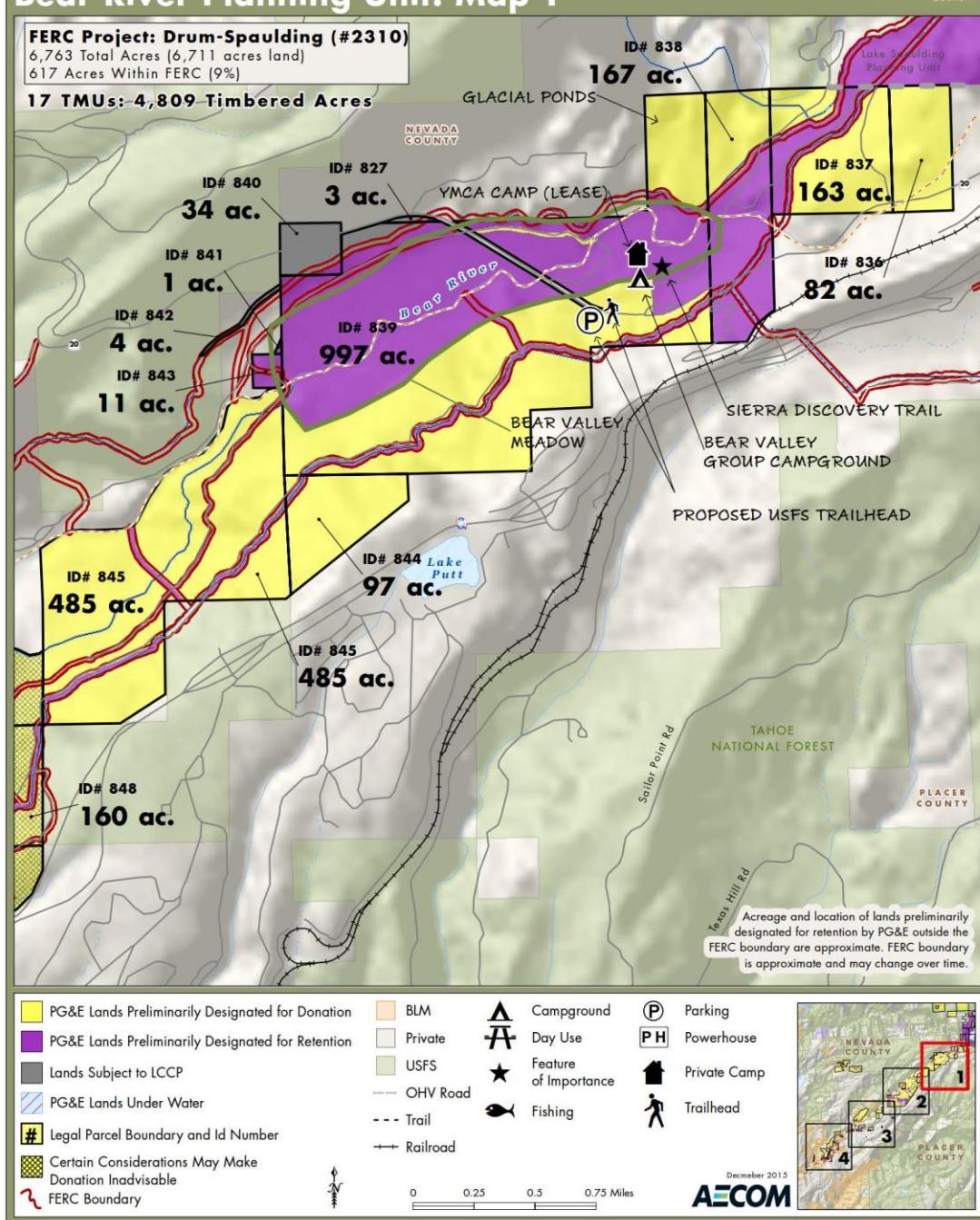


Table of Contents

Executive Summary	1
Introduction	7
1. Acreage, Existing Economic Uses and Agreements	11
2. Objectives to Preserve and/or Enhance the BPVs	13
3. Retention or Donation of Fee Title and Recommendation for Conservation Easement Donation	15
4. Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance the BPVs	18
5. Analysis of Tax and Other Economic and Physical Impacts	19
6. Hazardous Waste Disclosure	20
7. Consideration of Parcel Split	21
8. Strategy for Physical Measures to Enhance the BPVs	22
9. Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures	23
10. Implementation Schedule for Transactions and Measures	23

Appendices

Appendix 1. Summary of Public Outreach	25
Appendix 2. Conservation Easement.....	3%
Appendix 3. Stewardship Council Conservation Easement Funding Agreement	65
Appendix 4. Settlement Agreement, Appendix E	73

Introduction

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

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

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

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

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

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

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

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

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

The Stewardship Council Board of Directors recommends that Bear Yuba Land Trust (BYLT) hold a conservation easement encumbering 782 acres within Parcels 825-827, 839, 840 and 842 in the Lake Spaulding and Bear River planning units.

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

Table 1 Stipulation 12(a) Requirements

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

"A plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures on the applicable management objectives;"

(10) Implementation Schedule for Transactions and Measures

"A schedule for the implementing transactions and measures."

1. Acreage, Existing Economic Uses and Agreements

Acreage and Property Description

The Lake Spaulding planning unit contains 32 legal parcels (Parcels 795-826) totaling approximately 8,241 acres in Nevada and Placer Counties. The Bear River planning unit contains 44 legal parcels (Parcels 827-870) totaling approximately 6,763 acres in Nevada and Placer Counties. 782 acres in Parcels 825-827, portion of 839, 840 and 842 within the Lake Spaulding and Bear River planning units are the subject of a proposed asset sale by PG&E to NID. Consistent with the conditions in the Settlement Agreement, the 782 acres in Parcels 825-827, portion of 839, 840, and 842 will be encumbered with a perpetual conservation easement, granted by NID to BYLT as described in Chapter 3.

Parcel 825 in the Lake Spaulding planning unit consists of 316 acres and has been managed for timber for many years. The parcel includes several timber plantation areas and numerous logging roads and timber decks. The parcel is bounded by US Forest Service land to the east, west, and north and by private lands to the south. The parcel contains the western end of the South Yuba Canal, as well as the Deer Creek Forebay and spillway and a portion of the Deer Creek Penstock. Access to the parcel is via Chalk Bluff Road.

Parcel 826 in the Lake Spaulding planning unit consists of 383 densely forested acres that have been managed for timber. Logging roads and timber decks are widespread throughout the parcel. The parcel is bounded by a combination of US Forest Service and private lands and is accessible via Banner Quaker Hill Road. Hydroelectric improvements on the parcel include Deer Creek Powerhouse, a portion of the penstock, and an overhead electric transmission line.

Parcel 827 in the Bear River planning unit contains 3 acres and is bordered by Parcel 839 to the south and private property to the north. This parcel can be accessed from State Highway 20, which travels along the northern border of the parcel. The South Yuba Canal flume travels diagonally through the parcel.

Parcel 839 in the Bear River planning unit consists of 997 acres and is surrounded by other PG&E parcels and private property. The parcel is located just north of Interstate 80 and State Highway 20 travels east and west through the northern section of the parcel, providing access to the parcel. The Drum Canal and South Yuba Canal flume travel northeast to southwest through the entire parcel. PG&E's Bear Valley Group Campground and Sierra Discovery Trail are located in the northeast portion of the parcel adjacent to Bowman Lake Road. Several PG&E buildings, a construction yard, a helipad, and stream gages are located on site.

Parcel 840 in the Bear River planning unit contains 34 acres and is accessed by State Highway 20, which travels east and west through the entire parcel. The parcel is surrounded by Parcel 839 to the south and east, US Forest Service land to the west, and private property to the north. The South Yuba Canal flume travels through the southeast section of the parcel.

Parcel 842 in the Bear River planning unit contains 4 acres and is surrounded by US Forest Service land and private property. Access to the parcel is via the PG&E maintained Zelbright Road and then by crossing several private parcels. The South Yuba Canal flume travels along the entire parcel and includes a spillway to the Bear River.

No agricultural (farming or grazing) activities occur upon the parcels addressed in this LCCP.

The Lake Spaulding and Bear River planning units lie within the ancestral territory of the Maidu, Washoe, and Nisenan-Southern Maidu groups. Both historic and prehistoric resources are present within the Lake Spaulding and Bear River planning units.

Adjacent and Nearby Landowners

The six parcels within the Lake Spaulding and Bear River planning units subject to this LCCP are surrounded by private property and National Forest System lands managed by the Tahoe National Forest. The parcels are accessed from Chalk Bluff, Zelbright, and Banner Quaker Hill Roads, as well as State Highway 20.

The Stewardship Council notified and invited landowners located within one mile of the subject parcels to provide comment during key phases of the land conservation and conveyance planning process.

Existing Economic Uses and Agreements

There is one unrecorded encumbrance or existing agreement for communication facilities or economic uses on the 782 acres within Parcels 825-827, portion of 839, 840 and 842 in the Lake Spaulding and Bear River planning units. There are recorded agreements on the property for roads, trails and a water transmission conduit.

NID reserves rights in the conservation easement to maintain and operate existing and future utility facilities over portions of the parcels. The specific Reserved Rights are set forth in the conservation easement, which can be found in Appendix 2.

2. Objectives to Preserve and/or Enhance the BPVs

The Land Conservation Commitment provides that “PG&E shall ensure that the Watershed Lands it owns... are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values. PG&E will protect these beneficial public values associated with the Watershed Lands... from uses that would conflict with their conservation.

PG&E recognizes that such lands are important to maintaining the quality of life of local communities and all the people of California in many ways, and it is PG&E’s intention to protect and preserve the beneficial public values of these lands under the terms of any agreements concerning their future ownership or management.”¹

The following text lists the objectives for each BPV at the Lake Spaulding and Bear River planning units that the Stewardship Council board approved in LCP Volume II, as well as a description of how the conservation easement addresses each objective and each applicable BPV.

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

1. Objective: Preserve and enhance habitat in order to protect special biological resources (Lake Spaulding and Bear River).

The conservation easement (Appendix 2) includes a list of BPVs that will be protected including the following BPV: “Habitat for plants, trees and wildlife that are native to the area. Occurrences of species protected under the California Endangered Species Act and the Federal Endangered Species Act.”

2. Objective: Preserve open space in order to protect natural and cultural resources, the wilderness character of the region, and continued low-intensity recreation experiences (Lake Spaulding and Bear River).

The conservation easement will conserve the scenic character of the property, including viewsheds from adjoining public lands, by ensuring that no further development will occur unless specifically authorized or permitted by the conservation easement.

3. Objective: Enhance recreational facilities in order to provide additional public access, and enhance recreation opportunities and management (Lake Spaulding). Enhance recreational facilities in order to provide additional education and recreation opportunities (Bear River).

The conservation easement includes outdoor recreation such as hiking, picnicking, and fishing, as a BPV to be protected. Furthermore, the conservation easement provides that the landowner will allow public access on the property at levels substantially consistent

¹ Land Conservation Commitment I.02-04-026, Appendix E, p. 38

with those existing at the time the conservation easement is recorded, subject to NID's Reserved Rights (Section 6 of the conservation easement) and the landowner's right to make reasonable rules and regulations.

4. Objective: Develop and implement forestry practices in order to contribute to and promote a sustainable forest, preserve and enhance habitat, as well as to ensure appropriate fuel load and fire management (Lake Spaulding and Bear River).

Forest management activities will be subject to compliance with applicable laws and conducted as further described and allowed in the conservation easement to protect plant, tree, and wildlife habitat that supports the health of the watershed and well-managed forests, protects against forest fires, and promotes climate stability.

5. Objective: Identify potential grazing opportunities in order to enhance agricultural resources and related economic benefits (Lake Spaulding).

The acreage addressed by this LCCP is not currently used for grazing.

6. Objective: Identify and manage cultural resources in order to ensure their protection, as well as to support opportunities for public education (Lake Spaulding and Bear River).

The conservation easement will protect historical and cultural resources on the Property, including plants related to historic Native American Uses.

3. Retention or Donation of Fee Title and Recommendation for Conservation Easement Donation

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

Donee Selection Process

The Stewardship Council used a formal multi-step process to solicit and select organizations interested in becoming a conservation easement holder at the Lake Spaulding and Bear River planning units. The process consisted of the following key steps:

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

Retention or Donation of Fee Title

The Settlement Agreement states that PG&E will not be expected to make fee simple donations of Watershed Lands with hydroelectric project features, and conservation easements and enhancements may not interfere with hydroelectric operations. In general, PG&E will retain fee title to those Watershed Lands within the boundaries of hydroelectric projects licensed by the FERC; however, in this case, PG&E intends to transfer the property to NID pending FERC and CPUC approval. These Watershed Lands still will be conserved via a conservation easement. See Appendix 4 for a description of PG&E's Land Conservation Commitment.

In the Lake Spaulding Planning Unit, PG&E initially made 616 acres in Parcels 825 and 826 available for donation, but identified the property as constrained due to the configuration of the FERC Project boundaries, which would necessitate extensive survey and subdivision work in order to transfer fee title ownership. The Stewardship Council received land stewardship proposals from the US Forest Service, CAL FIRE, and Bear Yuba Land Trust (formerly known as Nevada County Land Trust), which were interested in obtaining fee title to Parcels 825 and 826.

In the Bear River Planning Unit, PG&E initially made 2 acres in Parcel 827, 32 acres in Parcel 840, and approximately 8 acres in the portion of Parcel 839 subject to this LCCP available for fee donation. The Stewardship Council received land stewardship proposals from CAL FIRE, the US Forest Service, Tsi Akim Maidu Tribe, and University of California for fee title interest in portions of these parcels.

In early 2016, PG&E informed the Stewardship Council of its intent to sell the approximately 782 acres within Parcels 825-827, 839, 840, and 842 of the Lake Spaulding and Bear River planning units to NID.

The map in Exhibit 1 shows all of the land within Parcels 825-827, 839, 840 and 842 in the Lake Spaulding and Bear River planning units subject to this LCCP. The map also shows key features in the planning units and surrounding areas, and the ownership of adjacent lands.

Additional acreage within the Lake Spaulding and Bear River planning units will also be retained in fee by PG&E or donated to qualified organizations, but are or will be the subject of separate LCCPs.

Conservation Easement

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

For the complete text of the conservation easement, see Appendix 2.

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

Accordingly, immediately following the Section 851 approval, PG&E will convey the lands to NID via a Grant Deed. Immediately following the land transfer, NID will grant a conservation easement to BYLT.

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

Selected Organizations

At the conclusion of the Donee Selection Process referenced in Section 3 above, the following organization was endorsed by the Stewardship Council board on November 14, 2013 for Lake Spaulding planning unit and January 22, 2015 for Bear River planning unit:

- Bear Yuba Land Trust (BYLT) to hold a conservation easement over 782 acres within six parcels to be sold by PG&E to NID (Parcels 825-827, portion of 839, 840 and 842) in the Lake Spaulding and Bear River planning units.

Capacity of Selected Organizations

The Stewardship Council board finds that BYLT has the funding and other capacity to maintain the property interest so as to preserve and/or enhance the BPVs².

- Established in 1991, the Bear Yuba Land Trust mission is to create a balance between nature and people who make a life and a livelihood in the Bear and Yuba Watersheds. BYLT promotes voluntary conservation of natural, historical and agricultural resources through protection and enhancement of natural areas, farms and ranches, trails and parks to provide a lasting community heritage.
- BYLT's geographic focus is the Bear River and Yuba River watersheds on the western slope of the Sierra Nevada mountains, including Nevada County and the foothills of Yuba and Sierra Counties.
- BYLT currently holds 26 conservation easements over approximately 9,000 acres, and owns nearly 4,000 acres in fee title. BYLT has a \$1 million annual budget with assets of \$8.8 million, and has a staff of nine located in Grass Valley, including an executive director, 3 staff in operations, 4 staff in lands and trails, and a community engagement manager. BYLT has 12 board members with expertise in wildlife biology, conservation planning, recreation, and forestry. BYLT is an accredited land trust by the Land Trust Alliance.

² Stipulation, Section 12(a)(4)

5. Analysis of Tax and Other Economic and Physical Impacts

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

Property Tax Analysis

Since the asset sale would be completed outside of PG&E’s Land Conservation Commitment, there is no obligation under the Settlement Agreement and Stipulation for the land transfer to NID to be tax neutral to Nevada County.

Other Economic and Physical Impacts

The Settlement and Stipulation require an analysis of the physical and economic impacts of each disposition. The agreements for the conservation easement on Parcels 825-827, 839, 840 and 842 of the Lake Spaulding and Bear River planning units have not mandated any changes to the physical or economic uses.

NID reserves rights in the conservation easement to maintain and operate existing and future utility facilities over portions of the parcels. The specific Hydro Reserved Rights are set forth in the conservation easement, which can be found in Appendix 2. PG&E reserved rights are specified in the Grant Deed between PG&E and NID.

6. Hazardous Waste Disclosure

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

PG&E intends to transfer fee title ownership of 782 acres in six parcels (825-827, portion of 839, 840, and 842) within the Lake Spaulding and Bear River planning units to NID and has prepared Lake Spaulding and Bear River Summary of Potential Environmental Issues on Land to be Retained, dated October 25, 2011 and December 1, 2011. The reports were provided to BYLT in fulfillment of the disclosure requirements of the Land Conservation Commitment.

7. Consideration of Parcel Split

To effectuate transfer of approximately 782 acres identified for sale to NID within Parcels 825-827, portion of 839, 840 and 842, a parcel split is required to comply with the California Subdivision Map Act (Government Code Section 66410, et seq.). Certain exemptions to the Map Act apply to public utilities and/or to governmental entities and may apply to this conveyance.

8. Strategy for Physical Measures to Enhance the BPVs

The Stewardship Council developed and implemented a strategy to identify and undertake appropriate physical measures to enhance the BPVs of the Watershed Lands consistent with Settlement Agreement paragraph 17(c)³ and Appendix E, paragraph 1.

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

The Stewardship Council has developed a grant program that will fund selected enhancements on the Watershed Lands. It is anticipated that grant funding will be available to accomplish future projects that enhance one or more of the six Beneficial Public Values. Projects may include habitat restoration or physical measures such as developing trails, day use areas, and other public access improvements.

³ Settlement Agreement Paragraph 17(c) states, “PG&E shall fund PG&E Environmental Enhancement Corporation with \$70 million in Cash to cover administrative expenses and the costs of environmental enhancements to the Watershed Lands... provided that no such enhancement may at any time interfere with PG&E’s hydroelectric operations maintenance or capital improvements.”

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

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

The conservation easement holder is required to monitor every conservation easement that it holds to ensure that the landowner is complying with the terms of the easement. The Stewardship Council will enter into a Conservation Easement Funding Agreement (Appendix 3) with each conservation easement holder whereby the holder will receive a monitoring and enforcement endowment from the Stewardship Council to fund its monitoring activities.

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

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

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

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

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

In addition to preparing an assessment report, which will be submitted to the CPUC and PG&E, SNC will serve as a public repository for key transaction documents and other documents pertaining to the Land Conservation Commitment through June 2025.

10. Implementation Schedule for Transaction and Measures

Schedule for Transaction

- FERC review and approval (2018)
- CPUC review and approval (2018)
- Close of escrow (2018)
- Stewardship Council release of funds to BYLT per conservation easement funding agreement (2018)

Compliance with Local Land Use Planning Requirements

Future management of Parcels 825-827, portion of 839, 840 and 842 at the Lake Spaulding and Bear River planning units is anticipated to comply with all applicable County ordinances and/or General Plan policies.

SUMMARY OF PUBLIC OUTREACH PROGRAM

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

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

Appendix 1: Summary of Public Outreach

- The Stewardship Council Board of Directors meets five to six times per year, typically on a bimonthly schedule. At the board meetings, the public is invited to directly address the board on an agenda item or on any other matter. The meetings have been held at locations in northern and central California and across the watershed lands to help facilitate public participation. Agendas are available one week prior to meetings, and meeting minutes are posted on the Stewardship Council public website approximately three weeks following those meetings.

LAKE SPAULDING PLANNING UNIT PUBLIC OUTREACH

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

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

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

During public review of Volumes I and II of the LCP, seven public comments were submitted concerning the Lake Spaulding planning unit. These comments reflected a request to reflect water agency facilities in LCP maps, support for the US Forest Service as a potential fee donee, as well as support for protecting and enhancing the open space and recreational values of the Lake Spaulding planning unit, as well as comments on certain recreational facilities proposed for the property.

II. NOTICING OF LANDOWNERS WITHIN ONE MILE

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

III. PUBLIC INFORMATION MEETING

A Public Information Meeting workshop for several planning units in the Yuba-Bear Watershed Area was hosted by the Stewardship Council on April 14, 2011 in Auburn, California. The meeting concerned six planning units: Lower Drum, Chili Bar, Lake Spaulding, Bear River, Narrows and Fordyce Lake planning

Appendix 1: Summary of Public Outreach

unit. Attendees at the workshop included a total of 58 individuals representing a wide variety of interests including local, state, federal, and tribal governments; and community organizations. The meeting was advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to the local newspaper, and a postcard sent to all landowners on record located within one mile of any PG&E parcel associated with the Lake Spaulding planning unit.

The purpose of the workshop was to: (1) provide an overview of the land conservation process; and, (2) solicit additional public input on future stewardship of the two planning units.

The Stewardship Council received the following comments at the meeting and through comment cards that apply to the lands subject to this LCCP:

Lake Spaulding

- Support transfer of lands to an entity that would restrict vehicle traffic to present levels
- Continue to allow public use of existing roads
- Maintain public access for recreation (hiking, fishing, and camping)
- Support for lands available for donation to be transferred to the US Forest Service
- Rely on existing laws to protect sensitive wildlife and archaeological resources

Bear River

- Protect archaeological/cultural sites and provide interpretation of these sites if appropriate
- Support PG&E partnerships with conservation organizations to restore, preserve, and enhance recreation opportunities
- Ensure consistent land ownership and management to protect the integrity of the ecosystem
- Prevent the upstream migration of *Didymosphenia* G, an invasive algae that adversely affects fisheries
- Maintain vehicle access to all parcels for hunting, fishing, recreation, firewood collecting, etc.
- The conservation easement should be flexible to adapt over time
- For each of the beneficial public values, define the level of sustainability that will occur by parcel, planning unit, and watershed

IV. PUBLIC REVIEW OF LAND STEWARDSHIP PROPOSALS

On May 13, 2011, the Stewardship Council received five Land Stewardship Proposals from organizations interested in being considered for a donation of fee title to certain lands located within the Lake Spaulding planning unit. The Department of Forestry and Fire Protection, Nevada County Land Trust (aka Bear Yuba Land Trust), the San Joaquin County Office of Education, the US Forest Service—Tahoe National Forest, and University of California—Center for Forestry. Each of the organizations prepared and submitted its proposal which was posted on the Stewardship Council's website for public review and comment, and an e-mail was sent to contacts in the Stewardship Council's database to notify them of the postings.

V. PUBLIC REVIEW OF LAND CONSERVATION PROGRAM POLICIES & GUIDELINES

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

Land Conservation Program Funding Policy

The Stewardship Council created a Land Conservation Program Funding Policy to help guide future planning and decision-making regarding funding of the long term management and stewardship of the watershed lands. In June and July, 2009, the draft policy was posted on the Stewardship Council's web site and made available for review and comment to a group of stakeholders consisting of all registered potential donees and representatives of the counties in which the watershed lands are located. Two comments were received during the 30-day review and comment period. Both comments were reviewed, and it was determined that neither comment necessitated a change in the draft policy. The Stewardship Council's Board of Directors adopted the policy at a public board meeting in Sonora, Calif. on September 17, 2009.

Guidelines for Achieving Property Tax Neutrality

The Stewardship Council created guidelines for achieving property tax neutrality to describe scenarios when the Stewardship Council will make property tax payments to affected counties as in lieu payments for property taxes that are lost due to the donation of PG&E watershed lands to an entity that is exempt from paying property taxes. The guidelines also defined a set of overarching assumptions regarding property tax neutrality payments. The draft guidelines were posted on the Stewardship Council's web site in December 2010. A notice inviting review and comment on the guidelines was sent to the Stewardship Council's stakeholder database. Additional targeted outreach was performed to inform the affected counties. Nine comments were received during the 60-day review and comment period. After consideration of public comments, the Stewardship Council Board adopted a set of guidelines at its public board meeting on March 30, 2011.

Proposed methodology for achieving tax neutrality

The proposed methodology for achieving tax neutrality on donated lands was e-mailed to all land stakeholders and posted on Stewardship Council's website for public review and comment on January 9, 2012. The deadline for submission of comments was March 9, 2012. The Stewardship Council received one request to extend this deadline, which was granted. By the new deadline March 30, 2012, six comments were received. Upon consideration of the comments received, the Stewardship Council board deferred adoption of the full methodology until the June 27, 2012 board meeting so that the affected counties could be notified of the proposed change to the capitalization rate. No comments were received on the revised capitalization rate. The revised methodology was adopted by the board at its June 27, 2012 meeting.

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

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

All public comments received by staff concerning the conservation easement recommendation at the Lake Spaulding planning unit were provided to the board for consideration at the relevant public board meeting.

VII. PUBLIC REVIEW OF THE LAND CONSERVATION AND CONVEYANCE PLANS

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

VIII. STEWARDSHIP COUNCIL BOARD OF DIRECTORS MEETINGS

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

Appendix 1: Summary of Public Outreach

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

CONSERVATION EASEMENT AND AGREEMENT

THIS DEED OF CONSERVATION EASEMENT AND AGREEMENT (this "**Easement**") is made and entered into this _____ day of _____, 20____ (the "**Effective Date**") by and between NEVADA IRRIGATION DISTRICT, a public entity ("**Grantor**"), and BEAR YUBA LAND TRUST ("**Grantee**"), with reference to the following facts:

RECITALS

- A. Grantor is a California irrigation district existing and operating pursuant to Division 11 of the California Water Code, commencing with section 20500. Grantor is a diversified water resource agency that supplies water to nearly 25,000 homes, farms and businesses in Nevada and Placer counties in the foothills of Northern California's Sierra Nevada Mountains. Grantor collects water from the mountain snowpack and stores it in an extensive system of 10 reservoirs. As water flows to customers in the foothills, it is used to generate clean hydroelectric energy and to provide public recreational opportunities. Grantor supplies both treated drinking water and irrigation water. Grantor's mission is to provide a dependable, quality water supply, strive to be good stewards of the watersheds and conserve the available resources.
- B. Grantee is a "qualified conservation organization" as defined by Section 170(h)(3) of the Internal Revenue Code and is eligible to hold this Easement pursuant to Section 815.3 of the California Civil Code. As certified by resolution of its governing body, Grantee accepts the responsibility of monitoring and enforcing the terms of this Easement and upholding its conservation purposes.
- C. Grantor is the owner of approximately 782 acres of real property located in the County of Nevada, State of California (the "**Property**"), as more particularly described in Exhibit A attached hereto and incorporated herein by reference. Located on the Property are various improvements, including a canal, spillway, reservoir (forebay), penstock and powerhouse, helicopter pad, switch yard, power line, communication facilities, storage buildings and structures for protection of facilities, as well as appurtenant structures and facilities (the "**Improvements**"). Also located on the property are certain significant natural features, including a portion of the South Fork of Deer Creek.
- D. Certain existing conditions of the Property are described or depicted in the Baseline Documentation Report ("**BDR**"), which has been prepared by Grantee in consultation with, and approved by, Grantor. The sole purpose of the BDR is to confirm specific Property conditions believed by both parties to exist as of the effective date of this Easement. The parties agree that the BDR is intended to serve as an objective, though non-exclusive, information baseline for monitoring compliance with the terms of this Easement. The foregoing notwithstanding, if a dispute arises with respect to

Appendix 2: Conservation Easement

any of the conditions of the Property, the parties shall not be foreclosed from utilizing any and all other relevant documents, surveys, or other evidence or information to assist in the resolution of the dispute. The BDR does not in any manner modify the terms of this Easement.

- E. The Improvements have been used by Grantor and Pacific Gas and Electric Company (“**PG&E**”) since approximately 1908 to carry water owned by Grantor from Grantor’s sources of supply. After generating power at PG&E’s Deer Creek Powerhouse, the water is placed in the South Fork of Deer Creek and thereafter rediverted by Grantor for storage and for irrigation and consumptive use throughout Grantor’s service area.
- F. The Improvements on the Property lie within the boundaries of a hydroelectric project licensed by the Federal Energy Regulatory Commission (“**FERC**”) pursuant to the Federal Power Act. Power generation using the water of Grantor occurs at the Deer Creek Powerhouse, licensed pursuant to Part I of the Federal Power Act, 16 U.S.C. §§792-823d (“**FPA**”) and under the regulation of FERC. Operation of the powerhouse is on a schedule dictated by Grantor’s water consumption requirements.
- G. In 2012, PG&E notified Grantor of its intent to transfer or discontinue use of the Improvements because continued ownership and operation by PG&E solely for hydroelectric generation was no longer commercially feasible. Because the Improvements continue to be necessary for the supply of water to Grantor, Grantor agreed to accept the transfer of ownership of the Property from PG&E, including the Improvements, in accordance with a Purchase and Sale Agreement, entered into of even date herewith.
- H. The Property possesses hydraulic, economic, natural, scenic and open space characteristics, valuable to the people of Nevada County, the State of California, and the public in general, which should be preserved, subject to Grantor’s power and water supply operations, including Grantor’s watershed management activities.
- I. In addition to the jurisdiction of FERC, North America Electrical Reliability Corporation (“**NERC**”), and Western Electricity Coordinating Council (“**WECC**”) over the operation of the Improvements, the Property, including the Improvements, is subject to the jurisdiction of the following agencies:
 1. Department of Public Health. The California Water Code and portions of the Health and Safety Code of the State of California, and the policies governing Grantor, require that Grantor take all feasible and reasonable actions to preserve and protect the watersheds that support Grantor’s water supplies, and to own, operate, and maintain the water delivery systems to insure an ample source of clean water for the needs of its customers.

Appendix 2: Conservation Easement

2. Water Resources Control Board. The Water Resources Control Board of the State of California, under Divisions 2, 3 and 7 of the California Water Code, exercises jurisdiction over (a) the water rights of Grantor, including its water rights in Deer Creek, and Grantor's reasonable and beneficial use of those rights, (b) its operation and maintenance of its dams and reservoirs, and (c) water quality affected by Grantor's facilities and operations.
- J. PG&E is a party to that certain Settlement Agreement ("Settlement Agreement") as modified and approved by the Public Utilities Commission of the State of California ("CPUC") in the Opinion and Order of December 18, 2003 (Decision 03-12-035).
- K. In furtherance of the Settlement Agreement, and to provide additional detail regarding the implementation of the "Land Conservation Commitment" (defined below), the parties to the Settlement Agreement and other interested parties entered into that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 ("Stipulation").
- L. The Settlement Agreement and the Stipulation (collectively, "Governing Documents") require PG&E to ensure that approximately 140,000 acres of watershed lands, all owned by PG&E, including the Property, be conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The obligations of PG&E to convey fee interests and/or conservation easements and protect such beneficial public values on the watershed lands, as well as certain other obligations related thereto, are set forth in detail in Appendix E of the Settlement Agreement (as further explicated in Section 12 of the Stipulation), and are defined therein as the "Land Conservation Commitment."
- M. Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California non-profit public benefit corporation ("Stewardship Council") was created to oversee and carry out the Land Conservation Commitment. Pursuant to the Governing Documents, the Stewardship Council developed a plan for protection of the watershed lands for the benefit of the citizens of California ("Land Conservation Plan" or "LCP"). The LCP includes, among other things, objectives to preserve and/or enhance the beneficial public values identified on each parcel of watershed lands. The LCP was completed prior to the time PG&E decided it wished to transfer the Property and the Improvements to Grantor as described in Recital G.
- N. Grantor will continue to use the Property and the Improvements for the purposes of delivering Grantor's water supply from Grantor's mountain storage and other sources of supply to Grantor for use by its customers, and for the generation and transmission of hydroelectricity. Following its transfer to Grantor, Grantor will use the Property for the additional purpose of active management and preservation of the watershed of Deer Creek and its tributaries (in which Grantor maintains water

Appendix 2: Conservation Easement

rights) to preserve and protect the quantity and quality of its water supply in Deer Creek and its tributaries. Grantor is required by law to monitor, preserve, and protect the water quality of its sources of supply. This will require it to manage vegetation, harvest timber, and have and provide public access consistent with the requirements of California Law governing water supply agencies and FERC. This Easement shall not restrict Grantor's uses of the Property and Improvements for water conveyance and power generation or water quality and watershed management purposes, except as provided herein.

- O. Grantor and Grantee acknowledge this transaction is being made in the public interest with the intent to ensure the permanent protection of those beneficial public values associated with the Property, while continuing, without interference, Grantor's uses of the Property for water delivery, hydroelectricity generation and transmission, watershed management and enhancement, and other related activities. Hereafter, all references in this Easement to "**Beneficial Public Values**" shall reference those Beneficial Public Values associated with the Property as described in Exhibit B.
- P. Grantee and Grantor each understand and acknowledge that this Easement does not interfere with the jurisdiction of FERC, and the agencies identified in Recital I.1 and 2 above. Grantee and Grantor further desire through this Easement to protect Grantor's existing uses of the Property for its public water supply purposes, particularly water transmission, water quality, hydroelectric generation, and watershed management, while protecting the Beneficial Public Values to the extent consistent with those uses. Specifically, the parties desire to assure that the Beneficial Public Values will be protected in perpetuity as provided herein, and that uses of the Property, not otherwise required by Grantor for water supply, water quality, watershed management, and hydroelectric generation purposes, that are inconsistent with the protection of the Beneficial Public Values as provided herein will be restricted as set forth below.

AGREEMENT

In consideration of the above recitals and the mutual covenants, terms, conditions, and restrictions contained herein, and pursuant to California Civil Code section 815, et seq., Grantor and Grantee agree as follows:

1. **Grant of Easement**. Grantor hereby grants to Grantee a perpetual "conservation easement" as defined by section 815.1 of the Conservation Easement Act of 1979 (California Civil Code section 815, et seq.) in gross, in, on, over and across the Property, subject to and in accordance with the terms and conditions of this Easement.

2. **Purpose**. It is the purpose of this Easement to protect and preserve in perpetuity the Beneficial Public Values by restricting any use of the Property that will significantly impair the Beneficial Public Values, all subject to and in accordance with the terms and conditions of this Easement (the "**Purpose**"). As used in this Easement,

the terms "impair" and "impairment" mean to diminish in quantity, quality, value, strength or viability. As used in this Easement, the terms "significant" and "significantly," when used with "impair" and "impairment," respectively, mean a greater than negligible adverse impact, for more than a transient period. The parties agree that Grantor's retention of certain rights specified in this Easement, including those expressly reserved in Section 6, below, is consistent with the Purpose of this Easement.

3. FERC. The terms and conditions of this Easement are subject to any conditions imposed by FERC pursuant to any hydroelectric project license for the Property or any applicable orders or regulations that FERC may issue from time to time. In addition, Grantee shall comply with any information requests or reporting obligations required by FERC, whether provided to Grantee directly by FERC, or through Grantor. Execution of this Easement by Grantor does not imply tacit FERC approval of a non-project use on the Property nor does it obligate Grantor to seek FERC approval for non-project uses proposed by Grantee.

4. Rights Conveyed to Grantee. Subject to the terms and conditions of this Easement, Grantor grants and conveys to Grantee the following affirmative rights:

4.1 Identification, Monitoring and Enforcement. The right to identify the Beneficial Public Values of the Property, the right to monitor and enforce the protection and preservation of such Beneficial Public Values in accordance with the terms of this Easement, the right to enforce the terms of this Easement, the right to enjoin any activity on the Property or other use of the Property which violates the terms of this Easement, and the right to enforce the restoration of such areas or features of the Property as may hereafter be damaged in violation of this Easement.

4.2 Access. The right for Grantee and Grantee's directors, officers, partners, members, managers, employees, contractors, subcontractors, consultants, representatives, and agents ("**Grantee's Representatives**") to enter onto the Property at reasonable times, during normal business hours, not more than once per calendar year and upon not less than ten (10) business days' advance written notice in order to monitor and inspect the Property, to enforce the rights which are granted herein, to determine whether the activities conducted on the Property are in compliance with the terms of this Easement, and to enforce the restoration of such areas or features of the Property as may have been damaged in violation of this Easement, all in compliance with the provisions of Section 9. Grantee will limit the number of Grantee Representatives entering the Property to those who are reasonably necessary to undertake the inspections, and such entry will be for no more days than are reasonably necessary to carry out the inspections. Grantor's representatives shall have the right to accompany Grantee's Representatives during annual monitoring visits or on any other visit permitted by this Section 4.2. Notwithstanding the foregoing, Grantee shall also have the right of entry upon the Property upon not less than twenty- four (24) hours' advance written notice where such entry is necessary to (i) prevent, terminate, or mitigate a violation of the terms of this Easement; or (ii) monitor actions taken pursuant to the annual inspections contemplated by this Section 4.2. All access and entry

Appendix 2: Conservation Easement

allowed under this Section 4.2 will be made in a manner that will not unreasonably interfere with the permitted use(s) of the Property by Grantor, its successors in interest, and any occupant(s) or user(s) of the Property and shall comply with any entry and access guidelines established by Grantor.

4.2.1. **Limitation.** Access to Operating Zones shall be limited and solely for the purpose of determining whether Grantor is engaging or has engaged in a Prohibited Use.

4.3. **Grantee Signs.** Grantee shall have the right, but not the obligation, at its sole cost and expense, to erect, maintain, and/or remove, one or more reasonable, non-illuminated signs or other appropriate markers in locations on the Property visible from any public roads or other adjoining property, bearing information indicating (a) that the Property is protected by the Easement, and/or (b) the participation of Grantee and of any funder in the stewardship of the Easement, the wording, size, number, design, and location of which shall be decided upon by Grantee and Grantor, each exercising its reasonable discretion.

4.4. **Timber Harvest.** The rights conveyed to Grantee do not include the right to harvest timber or biomass and carbon rights from or appurtenant to the Property, which rights are reserved exclusively to Grantor, in accordance with the Easement.

5. **Prohibited Uses.** Neither Grantor nor Grantee will engage in, or permit others to engage in, the prohibited uses set forth on Exhibit D hereto (the "**Prohibited Uses**"). Required Actions are not prohibited by this section of this Easement or under Exhibit D.

6. **Grantor's Reserved Rights.**

6.1. **Power Generation, Water Supply and Other Reserved Rights.** As provided in California Civil Code section 815.4, all interests not expressly transferred and conveyed to Grantee by this Easement shall remain in Grantor. Without limiting the foregoing, Grantor shall have the right to use the Property to furnish sufficient water to Grantor's users for any beneficial use, to put to beneficial use any water under its control, and for the generation, transmission, distribution, sale, and lease of electric power, and the right to engage in all acts necessary to carry out fully these purposes, consistent with the statutes and regulations governing California irrigation districts and with its own duly adopted policies.

6.2. **Definitions.** As used in this Section 6, the following defined terms shall have the meanings set forth below:

6.2.1. **Anticipated Significant Actions.** As used herein, "**Anticipated Significant Actions**" are actions that Grantor determines are likely to significantly impair one or more of the Beneficial Public Values.

6.2.1.1 Information Sharing. At or about the time that Grantor adopts its annual budget, Grantor will inform Grantee of any Anticipated Significant Actions that it plans to undertake in the ensuing budget year. This requirement does not prohibit Grantor from proceeding with other Anticipated Significant Actions in accordance with this Easement. This requirement does not relieve Grantor of any obligation to provide notice under Section 6.3; nor does it modify Grantee's right of consent under Section 6.3.4.

6.2.2 Required Actions. As used herein, "**Required Actions**" are those intended actions, activities or improvements that Grantor determines, in Grantor's sole discretion exercised in good faith, are required on the Property by any one or more of the following: (a) FERC or any other governmental entity having jurisdiction over Grantor's use, ownership, operation, or management of the Property, or (b) any Applicable Law (as defined in Section 7) as well as incidental access on, over, and across the Property.

6.2.2.1 Specified Required Actions. As used herein, "**Specified Required Actions**" are those Required Actions that require a specified action, activity or improvement on the Property, with respect to which Grantor has no material discretion over the specific details of implementation, including, without limitation, the manner, timing, and location of the Specified Required Action.

6.2.3 Discretionary Action. As used herein, a "**Discretionary Action**" is any action, activity or improvement other than one that involves a Prohibited Use or one that is a Required Action, a Watershed Management Activity, or any activity within an Operating Zone.

6.2.4. Watershed Management Activities. As used herein, a "**Watershed Management Activity**" is an action, activity, or improvement, undertaken anywhere on the Property outside of an Operating Zone consistent with commonly accepted watershed management standards to enhance the Property's ability to collect, hold, preserve and route precipitation in any form without erosion, scarring, and excessive channelization and to protect the quality of water that runs off of the Property into the South Fork of Deer Creek, or its tributaries. Watershed Management Activities shall include control and removal (and/or distribution onsite as mulch) of vegetation, including trees, for the purpose of improving absorption and retention of water at and below ground level, improvements to control erosion, and to the extent needed to protect the watershed, limitations on public use and access, and shall also include incidental access on, over, and across the Property.

6.2.5 Operating Zones. As used herein, an "**Operating Zone**" is the spatially delineated area of the Property containing hydroelectric facilities and/or water conveyance and supply facilities and features and associated lands. The initial Operating Zones are set forth on Exhibit E hereto; provided, however, that Grantor shall have the right to expand, contract, add to or remove land from Operating Zones from

Appendix 2: Conservation Easement

time to time. If the change is a Specified Required Action, Section 6.3.2 shall apply. In all other cases, the change shall be a Discretionary Action and Section 6.3.4 shall apply. Activities within Operating Zones shall include incidental access on, over, and across the Property.

6.3 Notification, Comment and Consent.

6.3.1 Activities within Operating Zones. Grantor shall notify Grantee of Anticipated Significant Actions to be taken within an Operating Zone. Notification shall be in writing and shall be given as set forth in Section 15. Except for emergency actions (see Section 6.4), notification shall be given not less than 30 calendar days prior to the undertaking of the action. Grantor has no obligation to consult with Grantee about its activities undertaken within an Operating Zone.

6.3.2 Specified Required Actions. Grantor shall notify Grantee of Anticipated Significant Actions that are Specified Required Actions. Notification shall be in writing and shall be given as set forth in Section 15. Except for emergency actions (see Section 6.4), notification shall be given not less than 30 calendar days prior to the undertaking of the action. Grantor has no obligation to consult with Grantee about Specified Required Actions.

6.3.3 Required Actions (not including Specified Required Actions) and Watershed Management Activities. Grantor and Grantee will meet annually to discuss ways to optimize water resources and support the Beneficial Public Values. Grantor will take into account these discussions in its planning of Watershed Management Activities, and notify Grantee of such planned actions, as set forth below. Grantee will comment on only any potential risk to the Beneficial Public Values. Grantee will monitor actions taken during its annual monitoring visit and report on the progress.

Grantor shall notify Grantee of any Anticipated Significant Actions that are Required Actions or Watershed Management Activities. Notification shall be in writing and shall be given as set forth in Section 15. Grantor shall describe the nature, location and time for performance of the Anticipated Significant Action. Grantor shall also provide a brief description of the manner in which the Anticipated Significant Action will be performed. Except for emergency actions (see Section 6.4), notification shall be given not less than thirty (30) calendar days prior to the undertaking of the action.

Grantee may, within the notification period, request additional information regarding the Anticipated Significant Action. The request shall be in writing and shall be given as set forth in Section 15. Grantee shall specify in its request the particular additional information that is sought. Grantor shall make good faith effort to timely provide the requested information.

Within the notification period, Grantee may (but shall be under no obligation to) propose alternative methods and practices to avoid or minimize harm to or

impairment of one or more Beneficial Public Values by such Anticipated Significant Actions (“**Proposed Methods and Practices**”). The comments or Proposed Methods and Practices shall be in writing and shall be given as set forth in Section 15. Grantor shall implement the Proposed Methods and Practices, to the extent Grantor determines in its sole discretion exercised in good faith that the Proposed Methods and Practices (a) may be implemented in a commercially reasonable manner balancing the harm to Beneficial Public Values with any increased cost or burden to Grantor; (b) where applicable, will allow for the completion of a Required Action or a Watershed Management Activity in a timely manner; and (c) are reasonably likely to avoid potential harm to or impairment of one or more Beneficial Public Values. Notwithstanding the foregoing, Grantor shall not be obligated to implement any Proposed Methods and Practices that Grantor determines, in its sole discretion exercised in good faith, conflicts with its obligations under the laws and regulations governing California irrigation districts.

If Grantor determines that one or more of the conditions set forth in the immediately preceding two sentences has not been satisfied, Grantor shall notify Grantee in writing of its determination and reasons. Within thirty (30) days following receipt of Grantor’s written determination, Grantee may (but shall be under no obligation to) submit revised Proposed Methods and Practices intended to resolve Grantor’s objections. Grantor shall consider in good faith Grantee’s revised Proposed Methods and Practices. If Grantor determines, in its sole discretion, exercised in good faith, that the revised Proposed Methods and Practices resolve its objections, Grantor shall implement the revised Proposed Methods and Practices. If Grantor determines, in its sole discretion exercised in good faith, that one or more of the conditions set forth in the final two sentences of the immediately preceding paragraph remains unsatisfied, Grantor may proceed with the Anticipated Significant Action.

6.3.4 Discretionary Actions.

(a) **Notification.** Grantor shall notify Grantee of any Anticipated Significant Actions that are Discretionary Actions. Notification shall be in writing and shall be given as set forth in Section 15, below. Grantor shall describe the nature, location and time for performance of the Anticipated Significant Action. Grantor shall also provide a brief description of the manner in which the Anticipated Significant Action will be performed. Except for emergency actions (see Section 6.4), notification shall be given not less than 30 calendar days prior to the undertaking of the action.

(b) **Grantee Consent.** Anticipated Significant Actions that are Discretionary Actions shall be subject to Grantee’s prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed by Grantee. If Grantee fails to grant or deny Grantor’s request for consent within 30 calendar days following Grantee’s receipt of notification and request for approval of the proposed activity, Grantee shall be deemed to have consented to the particular Anticipated Significant Action described in the request. If Grantee withholds its consent to such proposed Anticipated Significant Action, Grantee shall specify in detail how the proposed Anticipated Significant Action will cause harm or impairment to the Beneficial

Appendix 2: Conservation Easement

Public Values and, wherever possible, propose commercially reasonable alternatives, methods and/or practices to avoid or mitigate harm to or impairment of the Beneficial Public Values while achieving the purposes of Grantor's proposed Anticipated Significant Action.

6.4 Emergency Actions. Notwithstanding any other provisions of this Section 6, in the case of an emergency or other exigent circumstance affecting the safety of persons and/or property, including without limitation circumstances posing a threat of interruption of Grantor's power or water operations or water supply, or to water quality, Grantor may exercise any remedial actions in an unrestricted manner on all or any portion of the Property without prior notification or consultation with Grantee. Grantor shall provide upon request copies of any required notifications to applicable regulatory agencies of the emergency action and shall notify Grantee of those emergency actions taken, such notice to be provided to Grantee as soon as practicable but in any event within ninety (90) days after the emergency action has occurred.

6.5 PG&E Reserved Rights. In the event of a conflict between the PG&E Reserved Rights set forth in the Grant Deed attached hereto as Exhibit F (the "Reserved Rights") and the Conservation Purposes, this Easement shall be construed to unconditionally permit the exercise of the PG&E Reserved Rights. In the event PG&E notifies the Grantor of its intention to exercise any of the PG&E Reserved Rights, Grantor shall notify Grantee, in writing, of such intention within sixty (60) days of the Grantor's receipt of such notification.

7. Responsibility for Operations. Nothing in this Easement shall be construed as giving any right or ability to Grantee to exercise physical or managerial control of the day-to-day operations of the Property or of Grantor's activities on the Property. Grantor shall have and retain all responsibility for, and shall bear all costs and liabilities of, the ownership of the Property. In connection with Grantor's use or occupancy of the Property, Grantor shall have and retain all responsibility for, and shall bear all costs and liabilities of compliance with any present and future applicable laws, ordinances, rules, regulations, permits, licenses, authorizations, orders and requirements, whether or not in the current contemplation of the parties, which may affect or be applicable to the Property or any part of the Property (including, without limitation, any subsurface area), all consents or approvals required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, or any other governmental or quasi-governmental body or bodies exercising similar functions, having or acquiring jurisdiction of the Property (in each case, an "**Applicable Law**"), except as expressly stated otherwise in this Easement. Without placing any limitation on the foregoing sentence, the parties agree as follows:

7.1 Condition of Property. Grantee shall have no duty or responsibility for the operation or maintenance of the Property except to the extent specifically undertaken by Grantee as permitted under this Easement.

Appendix 2: Conservation Easement

7.2 Taxes. Grantee shall have no duty or responsibility for real property taxes and assessments levied on the Property.

7.3 Permits and Approvals. Grantor shall be solely responsible for obtaining any and all applicable governmental permits and approvals for, and otherwise complying with all Applicable Laws relating to, any activity or use of the Property by Grantor which is permitted by this Easement; provided, however, Grantor shall have no responsibility pursuant to this Easement for obtaining permits and approvals required on behalf of unrelated third parties who occupy or use the Property or for an unrelated third party's failure to comply with Applicable Laws. Grantee shall be solely responsible for obtaining any and all applicable governmental permits and approvals for, and otherwise complying with all Applicable Laws relating to, any activity or use of the Property by Grantee which is permitted by this Easement.

7.4 Limitation on Restoration Obligations. Nothing in this Easement shall require Grantor to take any action to restore the condition of the Property after (a) any Act of God, which includes, without limitation, fire, climate change, flood, storm, earth movement, or natural evolutionary changes in the condition of the Property; (b) any prudent action taken by Grantor under emergency conditions to prevent, abate, or mitigate significant injury to the Property or to any person resulting from such causes; or (c) the non-permitted acts of unrelated third parties so long as Grantor has satisfied its obligations under Section 8.2.

8. Third Party Use of the Property.

8.1 Informal Uses and Public Access. Grantor and Grantee recognize that the Property has been used by third parties for recreational, cultural, and other non-commercial or informal purposes without formal written agreements to conduct such activities (the "**Informal Uses**"). Grantor and Grantee further recognize that access is inherent or may be inherent in the enjoyment of the Beneficial Public Values and the Informal Uses. Consistent with the objectives articulated in the Governing Documents to provide continued reasonable access by the public to the watershed lands, Grantor shall allow reasonable public access to the Property (other than to the Operating Zones) and Informal Uses on the Property that are substantially consistent with the public access and Informal Uses existing on the Effective Date, subject to the following limitations:

8.1.1 Rules and Regulations. Grantor reserves the right to make reasonable rules and regulations to control, limit, or, as necessary, prohibit Informal Uses and public access.

8.1.2 Periodic Review of Informal Uses. Grantor and Grantee shall periodically meet and confer on Informal Uses, including recommendations made by Grantor or Grantee, if any, regarding the necessity of controlling, limiting or excluding the Informal Uses to ensure the preservation of the Beneficial Public Values and Grantor's uses of the Property consistent with the provisions of this Easement.

8.2 Unauthorized Third-Party Uses. If Grantor or Grantee discovers any unauthorized third-party use or activity on the Property that is inconsistent with the Purpose of this Easement, (and if Grantee makes such discovery, Grantee gives Grantor written notice thereof), Grantor shall use reasonable efforts, in consultation with Grantee, to stop or prevent any such unauthorized use of the Property, at Grantor's sole expense; provided that in no event shall Grantor's obligations under this Section 8.2 require Grantor to pursue legal action or incur other substantial costs. If Grantee demonstrates that Grantor's efforts in compliance with this Section 8.2 have not prevented, or are unlikely to prevent, the unauthorized third-party use or activity on the Property, Grantee may meet and confer with Grantor to propose additional efforts to prevent such use or activity which Grantee may undertake, at Grantee's sole expense. Grantor shall consider such proposal in good faith and, if Grantor permits Grantee to use such additional efforts, the scope and duration of such efforts shall be determined by Grantor, and Grantee shall comply with any requirements imposed by Grantor in connection with such efforts.

9. Enforcement and Remedies.

9.1 Procedures Upon Violation. If a party hereto (the "**Non-Breaching Party**") determines there is a breach of the terms of this Easement or that a breach is threatened, written notice of such breach (the "**Notice of Breach**") and a demand for corrective action sufficient to cure the breach shall be given by the Non-Breaching Party to the party allegedly breaching this Easement (the "**Breaching Party**"). Within thirty (30) days after delivery of a Notice of Breach, Grantor and Grantee shall meet at a location in the County where the Property is located or as otherwise agreed to by the parties to discuss the circumstances of the alleged or threatened breach and to attempt to agree on appropriate corrective action. If the parties mutually determine that it is appropriate and desirable, a duly qualified expert in the subject matter of the alleged breach (the "**Consulting Expert**") shall attend the meeting. Grantor and Grantee shall each pay one-half of the costs of retaining the services of the Consulting Expert for such discussion; provided, however, that if Grantor and Grantee are unable to agree upon a Consulting Expert, each party may retain the services of an expert at its own expense. If Grantor and Grantee are unable to agree on appropriate corrective action (or if any such corrective action is required) within thirty (30) days after such meeting, then the Non-Breaching Party may, at its election, deliver a further written notice to the Breaching Party to demand reasonable, particular corrective action to cure the breach (the "**Notice of Easement Violation**"). If a violation is not cured within thirty (30) days after the delivery of the Notice of Easement Violation, or if the cure reasonably requires more than thirty (30) days to complete and there is failure to begin the cure within the 30-day period or failure to continue diligently to complete the cure, the Non-Breaching Party may commence litigation in accordance with Section 9.2 below.

9.2 Litigation. If the parties are not able to resolve a claim or dispute pursuant to Section 9.1 above, the Non-Breaching Party may bring an action at law or in equity in a court of competent jurisdiction to enforce compliance with the terms of this

Appendix 2: Conservation Easement

Easement, to recover any damages to which Non-Breaching Party may be entitled for violation of the terms of this Easement, or for any other legal or equitable relief available under California law, including, but not limited to, temporary or permanent injunctive relief, monetary damages and/or any other form of relief required to achieve the restoration of the Property to the condition in which it existed prior to any violation. To the extent that Grantee recovers any monetary damages for the cost of restoring any injury or damage to a portion of the Property that is caused by Grantor's breach of this Easement, all such damages recovered by Grantee (after appropriate costs of suit are reimbursed) shall be applied to the cost of undertaking any corrective action to the applicable portion of the Property.

9.3 Emergency Injunctive Relief. If circumstances require immediate action to prevent or mitigate a violation of this Easement and the Non-Breaching Party reasonably determines that irreparable harm would result if the Non-Breaching Party were required to complete the process set forth in Section 9.1, the Non-Breaching Party may proceed immediately to seek an injunction to stop the violation, temporarily or permanently.

9.4 Remedies Cumulative. The remedies described in this Section 9 shall be cumulative and shall be in addition to all remedies now or hereafter existing at law or in equity, including but not limited to, the remedies set forth in Civil Code section 815, *et seq.*, inclusive. The failure of a party to discover a violation or to take immediate legal action shall not bar taking such action at a later time.

9.5 Costs of Enforcement. All costs incurred in enforcing the terms of this Easement, including, but not limited to, costs of suit and reasonable attorneys' fees as set forth in Section 19.11, shall be borne by the Breaching Party, but only to the extent that a breach of this Easement is determined to have occurred. If, after the Non-Breaching Party delivers a Notice of Easement Violation, it is determined that there was no breach of this Easement by the Breaching Party, the Non-Breaching Party shall pay all of the Breaching Party's costs and expenses incurred in connection with the alleged breach.

9.6 No Waiver. Enforcement of this Easement against a party shall be at the discretion of the Non-Breaching Party, and any forbearance by the Non-Breaching Party to exercise its rights under this Easement in the event of any breach of any term of this Easement shall not be deemed or construed to be a waiver by the Non-Breaching Party of such term or of any subsequent breach of the same or any other term of this Easement or of any of such party's rights under this Easement. No delay or omission by the Non-Breaching Party in the exercise of any right or remedy shall impair such right or remedy or be construed as a waiver. A party's permission to the other party to carry out, or failure to object to, any proposed use or activity by the other party shall not constitute consent to any subsequent use or activity of the same or different nature.

10. Indemnification and Insurance.

10.1 Indemnification by Grantee. Grantee shall, to the maximum extent permitted by law, indemnify, protect, defend and hold harmless Grantor and its officers, managers, directors, representatives, agents, employees, transferees, successors and assigns (collectively, "**Grantor Indemnitees**") from and against all claims, losses, actions, demands, damages, costs, expenses (including, but not limited to, experts' fees and reasonable attorneys' fees and costs) and liabilities of whatever kind or nature (collectively, "**Claims**") arising out of or in connection with this Easement or the Property to the extent caused by the negligence or willful misconduct of the Grantee Indemnitees, as defined in Section 10.2 below, and Grantee's Representatives, as defined in Section 4.2, above.

10.2 Indemnification by Grantor. Grantor shall, to the maximum extent permitted by law, indemnify, protect, defend and hold harmless Grantee and its officers, managers, directors, representatives, agents, employees, transferees, successors and assigns (collectively, "**Grantee Indemnitees**") from and against all Claims arising out of or in connection with the Property to the extent caused by the negligence or willful misconduct of the Grantor Indemnitees as defined in Section 10.1 above, or that of Grantor's subcontractors, contractors, consultants, representatives, or agents.

10.3 Release. Entry onto the Property by Grantee and Grantee's Representatives shall be at Grantee's sole risk and expense, and Grantee accepts all risk relating to the condition of the Property. Notwithstanding the provisions of Section 10.2, Grantor shall not be liable to Grantee for, and to the maximum extent permitted by law, Grantee hereby waives and releases Grantor and the other Grantor Indemnitees from, any and all liability, whether in contract, tort or on any other basis, for any injury, damage, or loss to Grantee and/or Grantee's Representatives resulting from or attributable to any occurrence relating to the condition of the Property, except if arising solely from Grantor's gross negligence or willful misconduct.

10.4 Insurance. Grantee shall procure, carry and maintain in effect during all access to the Property throughout the term of this Easement the insurance specified in Exhibit C hereto, provided that Grantor reserves the right to periodically review and reasonably modify the insurance requirements specified in Exhibit C in effect to be generally consistent with requirements of other prudent property owners allowing access to their properties by conservation easement holders. All insurance shall be written on forms and with insurance carriers acceptable to Grantor in its commercially reasonable judgment. Prior to Grantee's initial entry onto the Property, and annually thereafter, Grantee shall provide Grantor with evidence of the insurance coverage, or continuing coverage, as applicable, satisfying the requirements of this Section 10.4 and Exhibit C. Grantee is also responsible for causing Grantee's agents and contractors entering the Property to comply with the insurance requirements of this Easement at all relevant times, the insurance being specified in Exhibit C. Grantee shall, to the maximum extent permitted by law, indemnify, protect, defend and hold the Grantor Indemnitees harmless against claims, losses, costs (including attorneys' fees and costs), liabilities and damages resulting from the failure of Grantee, or any of

Appendix 2: Conservation Easement

Grantee's consultants, contractors or subcontractors, to comply with the insurance requirements set forth in this Section 10.4 and Exhibit C. Except for the right to access the Property under Section 4.2 above, which shall be conditioned upon carrying insurance required herein, no failure to carry such insurance or to provide a certificate thereof by any such deadline shall alter or affect in any manner any of the rights or obligations of the parties under or with respect to this Easement. The foregoing insurance requirements shall not apply in the event that the Grantee is a governmental agency with a self-insurance program reasonably acceptable to Grantor.

11. Grantee Transfer of Easement.

11.1 Voluntary Transfer.

11.1.1 If Grantee desires to assign its interest under this Easement, Grantee shall provide Grant-or and the Sierra Nevada Conservancy ("SNC") with written notice of such intention to transfer to an assignee which is (a) qualified to hold a conservation easement under section 815.3 of the California Civil Code; and (b) willing and with the financial capability (taking into account any stewardship funds to be transferred by Grantee with this Easement) and organizational experience to assume all of the responsibilities imposed on Grantee under this Easement; and (c) acceptable to Grantor in its reasonable discretion. Grantee shall allow the SNC, in consultation with Grantor, a period of not less than sixty (60) days within which to approve the proposed assignee, which approval shall not be unreasonably withheld and shall be based on whether the proposed assignee meets the designation criteria specified in this Section 11.1.1.

11.1.2 As conditions to any assignment of Grantee's interest under this Easement, Grantee shall (a) require the assignee to expressly agree in writing to assume Grantee's obligations hereunder, and (b) ensure that such assignee has the resources to fulfill its obligations under this Easement. Notwithstanding anything in this Section 11.1 to the contrary, this Easement shall not be transferred by Grantee to any governmental entity, public agency or Native American tribe without the consent of the Grantor, which consent shall be granted or withheld in Grantor's sole discretion.

11.2 Involuntary Transfer. If Grantee ever ceases to exist or no longer qualifies under section 815.3 of the California Civil Code, the Stewardship Council (or its designee), or if the Stewardship Council (or its designee) shall cease to exist, the Attorney General of the State of California, shall petition a court of competent jurisdiction to transfer this Easement to an organization that meets all of the designation criteria specified in Section 11.1.

12. Subsequent Property Transfers by Grantor.

12.1 Rights of Grantor. Except as provided in Exhibit D, Prohibited Uses, item no. 1, Grantor shall have the unrestricted right to sell, encumber, or otherwise transfer the Property or portions thereof to anyone Grantor chooses. The

Appendix 2: Conservation Easement

transferee shall take the Property or portions thereof subject to the provisions of this Easement. Grantor shall disclose the existence of this Easement (including reference to the recording information) in any deed or other legal instrument by which Grantor divests itself of an interest in all or a portion of the Property, including, without limitation, a leasehold interest, and all such conveyances shall be made expressly subject to the terms of this Easement. Grantor shall notify Grantee periodically of any contemplated grants by Grantor to any third party of any interest in any portion of the Property, whether such interest is a fee, easement, lease, mortgage or other interest.

Additionally, Grantor shall notify Grantee in writing not more than thirty (30) days after any grant by Grantor to any third party of any interest in any portion of the Property, whether such interest is a fee, easement, lease, mortgage or other interest. The failure of Grantor to perform any act required by this Section 12 shall not impair the validity of this Easement or limit its enforcement in any way or create any obligation on the part of Grantee.

12.2 Potential Termination of Operating Zones. In the event Grantor intends to transfer fee title to all or part of the Property to an unaffiliated third party that is not an irrigation or water district pursuant to Division 11, 12, or 13 of the California Water Code, and the hydroelectric and water supply facilities and uses located on the property being transferred have been terminated by Grantor, then, subject to any final orders or decommissioning requirements issued by the FERC or other agencies, Grantor shall prepare and record (with Grantee's approval, which shall not be unreasonably withheld) a document removing Exhibit E and otherwise modifying this Easement to remove all provisions pertaining to Operating Zones, Required Actions, and Watershed Management Activities. Following that removal, all Anticipated Significant Actions shall be subject to Section 6.3.4 and this Easement shall be interpreted more restrictively in a manner recognizing the removal of those provisions.

12.3 Transfer Fee. A transfer of all or part of the Property by Grantor may result in Grantee's incurring transaction costs (such as legal review) and/or additional monitoring and enforcement responsibilities. Therefore, any such transfer (except for (i) transfers solely to change the method of holding title by the same party or parties, and (ii) inter-generational transfers between members of the same family) shall require the payment of a transfer fee to Grantee in the amount of 0.4 percent (four tenths of one percent) of the fair market value of the land value being transferred (without taking into account any improvements), as agreed by the parties or as established by appraisal. Grantee may reduce the fee in its sole discretion.

13. Extinguishment and Condemnation.

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

Appendix 2: Conservation Easement

13.2 Condemnation. If all or part of the Property is taken by the exercise of the power of eminent domain by public, corporate, or other authority, whether permanent or temporary, of all or any portion of the Property (or the proceeds of private sale in lieu thereof), so as to abrogate the restrictions imposed by this Easement, Grantor and Grantee shall join in appropriate actions at the time of such taking to recover the full value of the taking and all incidental or direct damages resulting from the taking. All compensation thereby awarded will belong and be paid to Grantor and Grantee in proportion to their respective interests in the Property as determined pursuant to Section 13.3, it being expressly agreed that this Easement constitutes a compensable property right. All expenses incurred by Grantor and Grantee in such action shall be paid out of the recovered proceeds. Grantor and Grantee acknowledge that any and all awards to Grantor and Grantee may be subject to the approval of the FERC.

13.3 Proceeds. Pursuant to California Civil Code section 815.2, subdivision (a), this Easement constitutes a real property interest immediately vested in Grantee. It is acknowledged by the parties that the purposes of establishing the value of this property right and enforcing the rights of Grantee with respect thereto is to protect the public investment which is involved in the conveyance of this Easement. That being the case, the parties stipulate that, for the purpose of determining the ratio for proportionate value of the parties' respective interest in the Property at the time of termination or extinguishment of this Easement, the value of this Easement shall be the difference between (a) the current fair market value of the fee interest in the Property at the time of termination, as if unencumbered by this Easement, but taking into account all other existing restrictions on the improvement, construction, alteration, expansion, development, use, maintenance or operation of all or any portion of the Property (e.g., zoning laws, land use laws or other governmental laws, codes, regulations or ordinances, and private restrictions such as covenants, restrictions and agreements), and (b) the current fair market value of the Property at the time of termination, as encumbered by this Easement, but taking into account all other existing restrictions on the improvement, construction, alteration, expansion, development, use, maintenance or operation of all or any portion of the Property (e.g., zoning laws, land use laws or other governmental laws, codes, regulations or ordinances, and private restrictions such as covenants, restrictions and agreements). The values shall be determined by an appraisal prepared by a qualified appraiser familiar with appraising conservation easements selected by Grantor. The cost of the appraisal shall be paid out of proceeds in proportion to the recoveries of Grantor and Grantee. There shall be no restriction on Grantor's or Grantee's use of proceeds received pursuant to this Section 13.3.

14. Estoppel Certificates. Grantee shall, within thirty (30) days after receiving Grantor's written request therefor (not to exceed once during any twelve (12) month period), execute and deliver to Grantor a document certifying, to the actual knowledge of the person executing the document without any duty of investigation, that Grantor is in compliance with any obligation of Grantor contained in this Easement, or otherwise evidencing the status of such obligation to the extent of Grantee's actual knowledge thereof, as may be reasonably requested by Grantor.

Appendix 2: Conservation Easement

15. Notices. Any notice or other communication required or permitted under this Easement shall be in writing and shall be either personally delivered or transmitted by registered or certified mail, return receipt requested, postage prepaid, or by a nationally recognized overnight courier, such as FedEx, UPS, or Airborne Express, addressed to the parties as follows:

If to Grantor: If by registered or certified mail, return receipt requested:

Nevada Irrigation District
1036 W. Main Street
Grass Valley, CA 95945

If by personal delivery or overnight courier:

If to Grantee: If by registered or certified mail, return receipt requested:

Bear Yuba Land Trust
PO Box 1004
Grass Valley, CA 95945
Attn: Stewardship Director

If by personal delivery or overnight courier:

Bear Yuba Land Trust
12183 Auburn Road
Grass Valley, CA 95949
Attn: Stewardship Director

The date of any notice or communication shall be deemed to be the date of receipt if delivered personally, or the date of the receipt or refusal of delivery if transmitted by mail or overnight courier. Any party may change the address for notice by giving notice to the other party in accordance with this Section 15.

16. Amendment. This Easement may not be amended, except by written amendment executed by Grantor and Grantee or their respective successors and assigns and recorded in the official public records of the jurisdiction where the Property is located. If circumstances arise under which an amendment would be appropriate, any such amendment shall be consistent with Grantee's conservation easement amendment policy(ies), and the Purpose of this Easement, including continuing to

protect and preserve the Beneficial Public Values, and shall not affect the perpetual duration of this Easement or the qualification of this Easement as a conservation easement under California Civil Code section 815, *et seq.* (or successor thereto). Grantee shall promptly record the amendment in the official records of the County in which the Property is located, and shall thereafter promptly provide a conformed copy of the recorded amendment to Grantor. The party requesting the amendment shall reimburse the non-requesting party for all reasonable costs incurred in connection with the drafting, review, negotiation, approval and recording of such amendment.

17. Hazardous Substances.

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

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

17.1.2 "**Hazardous Substances**" means any hazardous or toxic material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government under any Environmental Requirements, including, without limitation, any material or substance:

(a) now or hereafter defined as a "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste" or "toxic substance" or words of similar import under any applicable local, state or federal law or under the regulations adopted or promulgated pursuant thereto; and all rules and regulations of the United States or California Environmental Protection Agency or any successor agency, or any other state or federal department, board or agency, or any other agency or governmental board or entity having jurisdiction, as any of the foregoing have been, or are hereafter amended from time to time; or

(b) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, and is now or hereafter regulated as a Hazardous Substance by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, any State of the

Appendix 2: Conservation Easement

United States or any political subdivision thereof; or which cause, or are listed by the State of California as being known to the State of California to cause, cancer or reproductive toxicity; or

- (c) the presence of which on the Property poses or threatens to pose a hazard to the health or safety of persons or to the environment; or
- (d) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or
- (e) which contains lead-based paint or other lead contamination, polychlorinated biphenyls or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or
- (f) which contains radon gas.

17.1.3 "Necessary Remediation" means Remediation required by any governmental agency which has jurisdiction over the Remediation pursuant to the Environmental Requirements.

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

17.2 Allocation of Responsibility for Hazardous Substances.

17.2.1 Generally. Grantor shall (as between Grantor and Grantee) bear the cost for the Necessary Remediation of Hazardous Substances.

17.2.2 Environmental Reports. Pacific Gas and Electric Company, as part of the Land Conservation Commitment, has prepared certain environmental reports concerning the Property. Copies of these environmental reports have been provided to Grantee.

17.2.3 Grantor Responsibility for the Cost of Necessary Remediation. As between Grantor and Grantee, Grantor shall retain responsibility for the cost of Necessary Remediation of Hazardous Substance releases in soil and groundwater, whether occurring in the past or at any time in the future, which are present on the Property, provided that Grantee did not cause, in whole or in part, such Hazardous Substance contamination.

Appendix 2: Conservation Easement

17.2.4 No Owner or Operator Liability. The parties do not intend this Easement to be, and this Easement shall not be, construed such that it creates in or gives to Grantee any of the following solely as the result of being a holder of the Conservation Easement:

- (a) The obligations or liability of an "owner" or "operator" or "arranger," as those terms are defined and used in Environmental Requirements;
- (b) The obligations or liabilities of a person described in 42 U.S.C. section 9607(a)(3) or (4);
- (c) The obligations of a responsible person under any applicable Environmental Requirements;
- (d) The right to investigate and remediate any Hazardous Substances associated with the Property; or
- (e) Any control over Grantor's ability to investigate, remove, remediate or otherwise clean up any Hazardous Substances associated with the Property.

17.3 Hazardous Substances Indemnification.

17.3.1 By Grantor. Grantor agrees and covenants, at its sole cost and expense, to indemnify, protect, defend and hold Grantee harmless, from and against any and all losses (including diminution in the value of the Property and other consequential damages), costs, claims, demands, actions, suits, orders, causes of action, penalties, fines, taxes, obligations, controversies, debts, expenses, accounts, damages (including, without limitation, punitive damages), judgments and liabilities of whatever kind or nature, and by whomsoever asserted, in law, equity or otherwise, including, without limitation, the actual fees and expenses of experts, attorneys and others and the payment of "response costs" under CERCLA or any other Environmental Requirements, arising from or relating, in whole or in part, to Hazardous Substances present at the Property, alleged to be present there, or otherwise connected in any way to the Property, whether before, on, or after the date of this Easement (collectively, "**Environmental Claims**"), except to the extent caused, in whole or in part, by the negligent or intentional act of Grantee.

17.3.2 By Grantee. Grantee agrees and covenants, at its sole cost and expense, to indemnify, protect, defend and hold Grantor harmless, from and against any and all Environmental Claims, to the extent caused, in whole or in part, by the negligent or intentional act of Grantee.

18. Carbon Rights.

18.1 Promotion of Climate Stability. Grantor and Grantee anticipate that

Appendix 2: Conservation Easement

the protection and preservation of the Beneficial Public Values will promote climate stability, especially the ability of the forest to store atmospheric carbon as a means to mitigate global warming, which is recognized as being of public benefit by the 1993 United Nations Framework Convention on Climate Change, and subsequent reports by the International Program on Climate Change ("IPCC"), and the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code).

18.2 Reservation of Carbon Rights. Grantor exclusively reserves to itself, and to its personal representatives, heirs, successors and assigns, any and all carbon rights and obligations appurtenant to or accruing from the Property as may exist as of the date of recordation of this Easement or as may be granted, discovered, created, declared or developed in the future, including, but not limited to, the right to use, store, sequester, accumulate, and/or depreciate carbon within or on the Property and the right to trade, sell, transfer, or lease these rights. Grantor and Grantee acknowledge and agree that these carbon rights are consistent with the Beneficial Public Values, and this Easement shall not extinguish or otherwise impair the carbon rights and obligations appurtenant to or accruing from the Property.

18.3 Carbon Certification. In furtherance of Grantor's exercise of the carbon rights reserved hereunder, Grantor may elect to enter into an agreement not inconsistent with this Easement respecting such reserved rights as may be required by a third party that Grantor chooses ("Carbon Certification Party") in order to facilitate the sale, transfer or lease of the carbon rights and may record such agreement in the official records of any County where the Property is located. To the extent reasonably required by any Carbon Certification Party and requested by Grantor, Grantee, at Grantor's cost and expense, shall cooperate with Grantor in establishing, verifying or certifying the carbon rights in connection with the Property. Grantor agrees to notify Grantee at least thirty (30) days prior to any sale, transfer or lease of these carbon rights or the recording of an agreement with respect thereto, unless Grantor has previously notified Grantee in accordance with this Easement.

19. General Provisions.

19.1 Governing Laws. This Easement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

19.2 No Public Dedication. Nothing contained in this Easement shall be construed or deemed to be an express or implied dedication or gift of all or any portion of the Property for use or access by the general public nor shall this Easement or any of the rights granted hereunder be construed as an acknowledgement of any claim of prescriptive or other similar rights in or over the Property.

19.3 Liberal Construction. Any general rule of construction to the contrary notwithstanding, this Easement shall be liberally construed to effect the Purpose of this Easement and the policy and purpose of California Civil Code

section 815, *et seq.*, while recognizing Grantor's reserved rights. If any provision in this Easement is found to be ambiguous, an interpretation consistent with the Purpose of this Easement, which recognizes Grantor's reserved rights and that would render the provision valid, shall be favored over any interpretation that would render it invalid.

19.4 Further Assurances. Each party hereto agrees to execute and deliver to the other party such further documents or instruments as may be necessary or appropriate in order to carry out the intentions of the parties as contained in this Easement.

19.5 Severability. If any provision of this Easement shall be unenforceable or invalid, the same shall not affect the remaining provisions of this Easement, and to this end the provisions of this Easement are intended to be and shall be severable.

19.6 Entire Agreement. This Easement sets forth the entire agreement of the parties with respect to this matter and supersedes all prior discussions, negotiations, understandings, or agreements relating to this Easement, all of which are merged herein.

19.7 No Forfeiture. Nothing contained herein will result in a forfeiture or reversion of Grantor's title in any respect.

19.8 Successors. The easement created by this instrument shall be a servitude running with the land in perpetuity. The covenants, terms, conditions, and restrictions of this Easement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns and shall run with the Property. However, this Easement shall not create or bestow any lien or property right in any third party. Grantor and Grantee agree that no third-party beneficiary to this Easement exists and that nothing contained herein shall be construed as giving any person third party beneficiary status or any right of enforcement thereunder.

19.9 Recordation. Grantee shall promptly record this Easement in the official records of the County in which the Property is located, and shall thereafter promptly provide to Grantor a copy hereof showing the recording information. Grantee may re-record this Easement at any time as may be required to preserve its rights in this Easement.

19.10 Termination of Rights and Obligations. A party's rights and obligations under this Easement shall terminate only upon transfer of the party's interest in all or portions of either this Easement or the Property, except that liability for acts or omissions occurring prior to transfer shall survive the transfer.

19.11 Attorneys' Fees. In the event that either party shall bring an action to enforce its rights under this Easement, or relating to the interpretation hereof, whether for declaratory, injunctive or other relief, the prevailing party in any such

Appendix 2: Conservation Easement

proceeding, as defined in Code of Civil Procedure section 1032(a)(4), shall be entitled to recover from the other party reasonable attorneys' fees and all costs, expenses and disbursements that the prevailing party incurred in connection with such proceeding, including appeals, remands and any other subsequent proceeding (including, but not limited to, the reasonable costs of discovery, investigation, preparation for trial, professional or expert consultation and testimony). The non-prevailing party shall also pay the attorneys' fees and costs incurred by the prevailing party in any post-judgment proceedings to collect and enforce the judgment. This provision is separate and several and shall survive the merger of this Easement into any judgment on this Easement.

19.12 Mortgage Liens Subordinate. No provision of this Easement is to be construed as impairing the ability of Grantor to use the Property as collateral for any loan, provided that any lien securing such loan (a "**Mortgage Lien**"), regardless of date, shall be subordinate to the terms of this Easement and Grantee's rights under this Easement. Under no circumstances may Grantee's rights be extinguished or otherwise affected by the recording, foreclosure, or any other action taken concerning any Mortgage Lien.

19.13 Table of Contents and Captions. The table of contents and captions in this Easement have been inserted solely for convenience of reference and are not a part of this Easement and shall have no effect upon construction or interpretation.

19.14 Incorporation of Recitals. All Recitals are incorporated herein by this reference.

19.15 List of Exhibits. The following exhibits are attached hereto and incorporated herein by this reference:

<u>Exhibit A</u>	Property Description
<u>Exhibit B</u>	Beneficial Public Values
<u>Exhibit C</u>	Insurance Requirements
<u>Exhibit D</u>	Prohibited Uses
<u>Exhibit E</u>	Operating Zone(s)
<u>Exhibit F</u>	Grant Deed

Appendix 2: Conservation Easement

19.16 Counterparts. This Easement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In the event of a discrepancy between counterparts, the recorded Easement shall be controlling.

IN WITNESS WHEREOF, Grantor has granted to Grantee, and Grantee has accepted, this Easement, and the parties mutually agree to the terms and covenants set forth above, as of the Effective Date.

GRANTOR:

NEVADA IRRIGATION DISTRICT
a public entity

By: _____

Its: _____

GRANTEE:

BEAR YUBA LAND TRUST

By: _____

Its: _____

[NID administrative block to be added]

EXHIBIT A

Legal Description of Property

[PG&E Parcel Nos. 825, 826, 827, 839, 840 and 842. Legal Descriptions to be inserted]

EXHIBIT B

Beneficial Public Values

The Purpose of the Easement is to protect the Beneficial Public Values of the Property, as summarized below:

- (a) Habitat for plants, trees and wildlife that are native to the area. Occurrences of species protected under the California Endangered Species Act and the Federal Endangered Species Act.
- (b) Scenic character of the Property, including viewsheds from adjoining public lands.
- (c) Recreational access and use for hiking, picnicking, and fishing.
- (d) Plant, tree, and wildlife habitat that supports the health of the watershed and well-managed forests, protects against forest fires, and promotes climate stability.
- (e) Historical and cultural resources, including plants related to historic Native American uses.

EXHIBIT C

Grantee Insurance Requirements

Grantee shall procure, carry and maintain the following insurance coverage:

A. Workers' Compensation and Employers' Liability

1. Workers' Compensation insurance or self-insurance indicating compliance with any applicable labor codes, acts, laws or statutes, state or federal.
2. Employers' Liability insurance shall not be less than One Hundred Thousand Dollars (\$100,000) for injury or death each accident.

B. Commercial General Liability

1. Coverage shall be at least as broad as the Insurance Services Office (ISO) Commercial General Liability Coverage "occurrence" form, with no coverage deletions.
2. The limit shall not be less than One Million Dollars (\$1,000,000) each occurrence/Two Million Dollars (\$2,000,000) aggregate for bodily injury, property damage and personal injury.
3. Coverage shall: a) By "Additional Insured" endorsement add as insureds Grantor, its directors, officers, agents and employees with respect to liability arising out of work performed by or for Grantee; b) Be endorsed to specify that Grantee's insurance is primary.

C. Business Auto

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

D. Additional Insurance Provisions

1. Upon change in carrier or coverage, or otherwise upon Grantor's request, Grantee shall furnish Grantor with certificates of insurance and endorsements of all required insurance for Grantee.
2. The documentation shall state that coverage shall not be canceled except after thirty (30) days prior written notice has been given to Grantor.
3. The documentation must be signed by a person authorized by that insurer to bind coverage on its behalf and shall be submitted to:

Nevada Irrigation District
1036 W. Main Street
Grass Valley, CA95945-5424

A copy of all such insurance documents shall be sent to Grantor's Land Agent as specified under Notices in the body of this Easement.

4. Upon request, not to exceed once annually, Grantee shall furnish Grantor complete copies of policies.
5. Upon request, not to exceed once annually, Grantee shall furnish Grantor the same evidence of insurance for Grantee's agents or contractors as Grantor requires of Grantee.

EXHIBIT D

Prohibited Uses

As provided in Section 5 of this Easement, but excepting from this listing of Prohibited Uses any Required Action, Grantor will not engage in, or permit others to engage in, the following Prohibited Uses, as provided below:

1. Development Rights; Number of Owners. The development rights associated with all or any portion of the Property may not be transferred to, or used or exercised in connection with, any property other than the Property, such rights of transfer, use and exercise being hereby terminated and extinguished in perpetuity. The phrase "**development rights**" means any and all rights, however designated, now or hereafter associated with the Property or any portion thereof that may be used pursuant to applicable zoning laws, land use laws or other governmental laws or regulations, to compute permitted size, height, bulk, or number of structures, development density, lot yield, or any similar development variable on or pertaining to the Property or any other property. The parcels that constitute the Property may not be transferred to different owners, nor shall any parcel be subdivided, such that there shall be no more than one owner of the Property; provided that the land on which the hydroelectric and/or water supply facilities are located (including a reasonable margin around those facilities) may be transferred to separately from the remainder of the Property (subject to the provisions of Section 12), in which case there could be two separate owners of the Property subject to this Easement.

2. Mining and Drilling. There shall be no mining, drilling, removing, fracking, or exploring for or extracting of minerals, oil, gas, coal, or other hydrocarbons, soils, sands, gravel, loam, rocks or any other material on, under, or at the Property. Notwithstanding the foregoing, the following shall not be Prohibited Uses: The use of soil, sand, gravel and other similar material located on the Property as appropriate for road maintenance and erosion control, subject to the following limitations: (i) such disturbance shall be kept to the minimum necessary to exercise such rights, (ii) any such soils, sands, and other materials shall not be removed from the Property, and (iii) all such utilization activities shall be conducted in a manner that minimizes to the greatest extent practicable impacts to the Beneficial Public Values.

3. Construction and Placement of Structures and Improvements. Except within an Operating Zone, as deemed necessary by Grantor, in its sole discretion, exercised in good faith, for the operation of its hydroelectric power and water systems, there shall be no construction or placement of any structures or improvements on the Property, including (but not limited to) residential, industrial, office, or other buildings, underground or aboveground tanks. Notwithstanding the foregoing, the following shall not be Prohibited Uses:

a. Improvements made in the course of prudent and customary land management activities and/or to protect, preserve, or enhance the Beneficial Public Values (including, for example, garbage enclosures, benches, and interpretive kiosks).

4. Vehicles. Except in the case of an emergency or other occurrence affecting the safety of persons and/or property, there shall be no use of any motorized vehicles off of existing roadways on the Property except vehicles used as necessary to carry out prudent and customary land management activities and/or to protect, preserve, or enhance the Beneficial Public Values. Motorized off-road recreational use shall not constitute an activity "related to the protection or preservation of the Beneficial Public Values" as provided in the preceding sentence.

5. Dumping or Salvage. There shall be no dumping, storage or other disposal on the Property of soil, trash or garbage except for (a) refuse generated on the Property which may be disposed of on the Property on a temporary basis prior to its removal from the Property in areas where the Beneficial Public Values of the Property are not significantly impaired; (b) compostable refuse generated on the Property which may be disposed of on the Property in a responsible manner which does not significantly impair the Beneficial Public Values of the Property; or (c) within an Operating Zone, as deemed necessary by Grantor, in its sole discretion, exercised in good faith, for the operation of its hydroelectric power and water systems. There shall be no dumping, storage (other than on a temporary basis) or other disposal of ashes, sludge, Hazardous Substances, or other unsightly or dangerous materials, except within an Operating Zone, as deemed necessary by Grantor, in its sole discretion, exercised in good faith, for the operation of its hydroelectric power and water systems. There shall be no storage or disassembly of inoperable automobiles, trucks, or other vehicles or equipment for purposes of sale, or rental of space for that purpose.

6. Non-Native Animal Species. There shall be no release anywhere on the Property of non-native animal species without Grantee's prior written approval.

7. Vegetation. There shall be no removal, cutting or destruction on the Property of native vegetation except (a) in an emergency and/or for purposes of disease or insect control; (b) to prevent property damage or personal injury; (c) in the exercise of Grantor's expressly reserved rights stated in Section 6 of this Easement; or (d) with Grantee's prior written approval. There shall be no introduction of non-native plants on the Property except with Grantee's prior written approval, which shall not be unreasonably withheld or delayed.

8. Roads and Trails. Except in the case of an emergency or other occurrence affecting the safety of persons and/or property or as necessary to access an Operating Zone or to perform Required Actions or Watershed Management Activities and subject to the requirements of Sections 6.3 and 6.4, there shall be no construction of any new roads or trails on the Property; provided, however, the construction of new roads and trails (or the relocation of existing road and trails) on the Property to protect, preserve or enhance the Beneficial Public Values shall be permitted with Grantee's prior written approval. As used herein, the term "construction" shall not include the creation of

roads or trails through repeated use, although such activities shall be governed by this Easement.

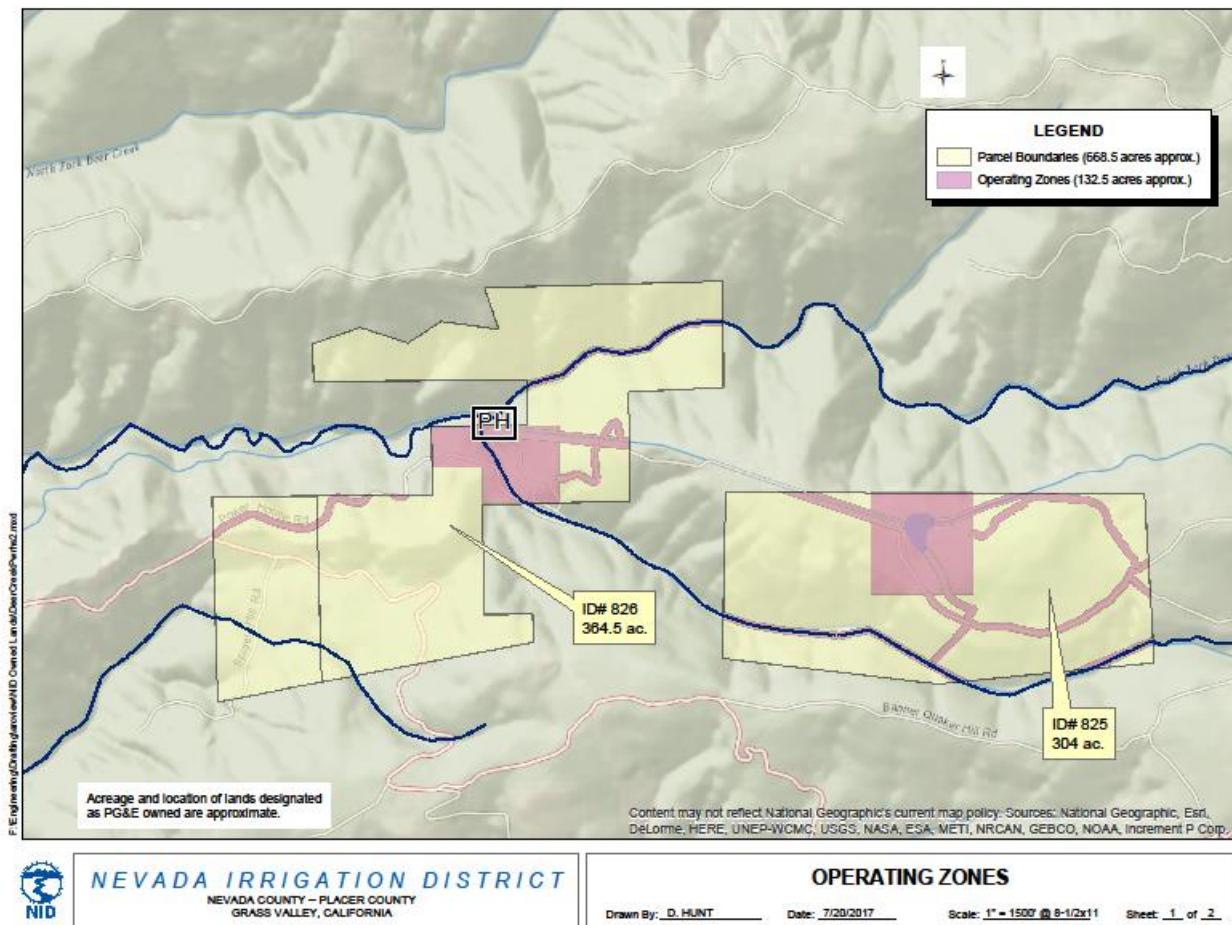
9. Commercial Uses. There shall be no office, industrial, or other commercial use on the Property, except for water, recreation, and hydroelectric power operations within an Operating Zone, as deemed necessary by Grantor, in its sole discretion, exercised in good faith.

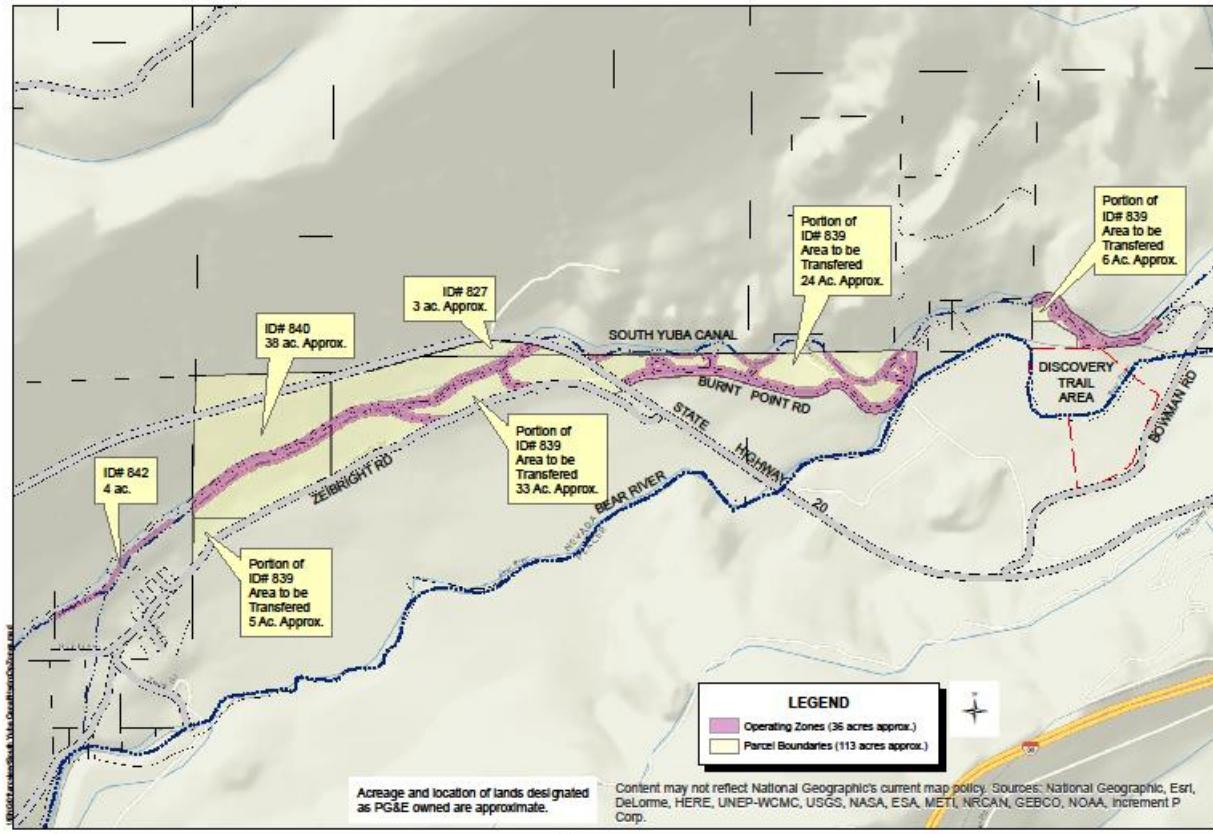
10. Alteration of Land or Excavation. Except in the exercise of Grantor's expressly reserved rights stated in Section 6 of this Easement, there shall be no filling, excavating, grading, draining or dredging, nor any change in the general topography of the Property; provided, however, such activities shall be permitted in the course of prudent and customary land management activities and/or to protect, preserve, or enhance the Beneficial Public Values.

11. Billboards. Except for Grantee's signs permitted under Section 4.3, there shall be no placement of billboards or advertising facilities. The use of Grantor's logo and/or trade style on a sign will not in and of itself constitute a billboard or advertising facility under this provision.

EXHIBIT E

Operating Zones





NEVADA IRRIGATION DISTRICT
NEVADA COUNTY – PLACER COUNTY
GRASS VALLEY, CALIFORNIA

OPERATING ZONES

Drawn By: D. HUNT Date: 7/21/2017 Scale: 1" = 1100' (8-1/2x11 Sheet 2 of 2



**Conservation Easement Funding Agreement
Lake Spaulding and Bear River Planning Units –
Deer Creek - Nevada Irrigation District (NID)**

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

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

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

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

D. In connection with the Land Conservation Commitment, Grantee has agreed to accept a perpetual conservation easement created pursuant to California Civil Code Section 815 *et seq.* (the "Conservation Easement") over a portion of the PG&E Watershed Lands that is the subject of an asset sale to the Nevada Irrigation District (NID), consisting of approximately 782 acres of real property located in the County of Nevada, State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by reference (the "Property").

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

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

1. Effective Date. This Agreement shall become effective upon the recording of the Conservation Easement in favor of Grantee in the Official Records of Nevada County (the "Effective Date"). It is understood and agreed that if for any reason whatsoever the recording of the Conservation Easement does not occur on or before December 31, 2018, this Agreement shall be of no further force or effect and the parties shall thereupon be released from any obligations under this Agreement.

2. Grant. Effective upon the Effective Date, the Stewardship Council grants **One Hundred Ninety Eight Thousand Seven Hundred Twenty Four Dollars (\$198,724)** (the "Grant Funds") to Grantee to be used solely for the following purposes:

a. One Hundred Eighty Eight Thousand and Seven Hundred Twenty Four Dollars (\$188,724) of the Grant Funds shall be used to implement conservation easement monitoring as described in Sections 3 and 4 below (the "Monitoring Funds").

b. Ten Thousand Dollars (\$10,000) of the Grant Funds shall be used for conservation easement defense and enforcement costs as described in Section 5 below (the "Defense and Enforcement Funds").

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

a. Grantee may "pool" the Monitoring Funds with other funds Grantee uses for monitoring of other conservation easements held by Grantee and Grantee may use the Monitoring Funds to monitor any of its conservation easements as long as Grantee meets its obligations as described in Section 4 below.

b. Within thirty (30) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of (1) the Monitoring Funds into an account which shall be restricted to the stewardship and monitoring of conservation easements held by the Grantee, including but not limited to the Conservation Easement on the Property; and (2) the Defense and Enforcement Funds into an account which shall be restricted to the legal defense or enforcement of conservation easements held by the Grantee, including but not limited to the Conservation Easement on the Property. The requirement to provide evidence of deposit will be satisfied when Grantee submits to the Stewardship Council the form attached as Exhibit B.

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

- a. Regular on-site inspection and monitoring to ensure that the terms of Conservation Easement are being met;
- b. Recordkeeping and preparation of reports, notices of violation, any written consent to be submitted to the fee title owner of the property which is subject to the easement, and other documentation related to the Conservation Easement and the Property;
- c. Communications with the fee title owner of the property which is subject to the easement regarding the provisions of the Conservation Easement and planned or completed activities on the lands to be performed or allowed by the fee title owner or a licensee/lessee;
- d. Responding to any inquiries or concerns raised by entities that have leases or licenses on the Property or other stakeholders who have an interest in ensuring the beneficial public values are protected.

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

- a. To make direct expenditures of attorneys' fees, costs and disbursements incurred in connection with proceedings to enforce and/or defend the provisions of the Conservation Easement against legal challenge, including any claims by third parties;
- b. To "pool" funds for legal expenses to enforce and/or defend against legal challenge conservation easements held by the Grantee, including without limitation the Conservation Easement on the Property;
- c. To pay premiums into a Conservation Defense Insurance Program offered through the Land Trust Alliance, or other nationally-recognized conservation organization of which Grantee is a member for the enforcement and defense of conservation easements held by member organizations, or to cover deductibles related to such insurance.

6. Grant Report. Grantee agrees to submit to the Stewardship Council and/or its designee the following grant Status Reports pursuant to this Agreement. The initial Status Report shall be submitted to the Stewardship Council by the second quarter of the 2019 calendar year and include data up to the date of the initial Status Report. The final Status Report shall be submitted to the Stewardship Council or its designee on or before December 31, 2023. The due dates of the initial and final Status Reports can be changed by the Stewardship Council or its designee with at least 60 days written notice to Grantee. The Stewardship Council or its designee shall notify Grantee in a timely manner of the form and content of each Status Report, which shall include, at a minimum:

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

Appendix 3: Conservation Easement Funding Agreement

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

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

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

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

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

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

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

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

11. Representations and Warranties. Grantee warrants and represents that it is a tax exempt organization under Section 501(c)(3) of the IRC, and is not a private foundation as defined in section 509(a) of the IRC or is an exempt operating foundation described in Section 4940(d)(2) of the IRC. Grantee further represents and warrants that it shall not use the Grant Funds to attempt to influence legislation or otherwise carry out lobbying activities within the meaning of Sections 501(h), 4911, 4945(d)(1) or 4945(e) of the IRC. No part of the Grant Funds may be used to attempt to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive. No part of the Grant Funds may be used for purposes other than charitable, scientific, literary, or educational purposes within the meaning of IRC Section 170(c)(2)(B).

Grantee does not knowingly employ individuals or contribute funds to organizations found on any terrorist-related list prepared by the U.S. Government, the United Nations, or the European Union, including the Department of Treasury's Office of Foreign Assets Control Specially Designated Nationals List, the Department of Justice's Terrorist Exclusion List, or the list attached to Executive Order 13224. Should any change occur with respect to the preceding sentence, Grantee will notify the Stewardship Council within 7 days of such change.

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

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

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

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

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

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

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

By: _____

Title: _____

Date: _____

Bear Yuba Land Trust
a California Nonprofit Public Benefit Corporation

By: _____

Title: _____

Date: _____

Exhibit A

EXHIBIT B TO CONSERVATION EASEMENT FUNDING AGREEMENT

Evidence of Grant Fund Deposit and Restriction of Use Certification

Date:	Planning Unit/Property Title:
Grantee Name:	Grantee Address:

*Date of Deposit of Grant Funds:		Amount Deposited:
Bank Name:	Account Name:	Account #:
Certification of Deposit of Grant Funds and Restricted use of Monitoring of Conservation Easement Funds		
I, hereby state that the above referenced information is true and accurate, and understand that the above information, if misrepresented, or incomplete, may be grounds for immediate repayment of grant funds. I also agree that account activity will be restricted to the permissible uses of Monitoring Funds and Defense and Enforcement Funds as set forth in Sections 2, 3, 4, and 5 of the Grant Agreement.		
Name:	Title:	
Signature:	Date:	

Return to:

Stewardship Council
3300 Douglas Boulevard, Suite 250
Roseville, CA 95661
Phone: (916) 297-6660

APPENDIX E
LAND CONSERVATION COMMITMENT

STATEMENT OF PURPOSE

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

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

COMMITMENTS

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

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

I.02-04-026

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

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