

Final LCCP

December 9, 2020

Updated September 30, 2022



Land Conservation and Conveyance Plan

PG&E Retained Lands at the
Battle Creek Planning Unit

Executive Summary

Subject

LCCP Battle Creek Planning Unit (PG&E Retained Lands in Shasta County)
Land Conservation Plan Identification Numbers (Parcels) 302, 304-306, 308-309, 312, 326-351, and 371-372 as shown on the map attached as Exhibit 1.

Type of Property Interest Disposition

- PG&E to retain fee simple title to approximately 1,727 acres within Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372.¹
- Western Shasta Resource Conservation District (RCD) to hold the conservation easement on the 1,727 acres in Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372.

Summary

The 7,060-acre Battle Creek planning unit includes 71 legal parcels. Approximately 1,727 acres within 35 parcels (Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372) will be retained by PG&E and are the subject of this LCCP. Pending Federal Energy Regulatory Commission (FERC) and California Public Utilities Commission (CPUC) approval, PG&E and Western Shasta RCD will enter into a conservation easement that will encumber Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372. The remaining 5,333 acres within the Battle Creek planning unit will be donated to CAL FIRE or the US Forest Service or will be subject to a conservation easement held by Northern California Regional Land Trust. These properties within the Battle Creek planning unit are addressed in separate Land Conservation and Conveyance Plans (LCCPs).

Property Location

The property subject to this LCCP consists of 1,727 acres in Shasta County around North Battle Creek Reservoir, McCumber Reservoir, and Lakes Grace and Nora.

Economic Uses and Agreements

There are recorded encumbrances on the property to be retained by PG&E at the Battle Creek planning unit for transmission lines, underground communication lines, roads, a ditch, a wagon road, Keswick Ditch, a sewage system, a public highway, and communication lines. There are two existing lease agreements for economic uses on the lands to be retained by PG&E in the Battle Creek planning unit: one lease for aquaculture purposes and a lease for group recreation at Camp McCumber.

¹ PG&E was unable to obtain assignable access to Parcel 327 and Western Shasta RCD is unable to accept a conservation easement over a parcel it cannot access.

Preserving and/or Enhancing the Beneficial Public Values

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

- Habitat for fish, wildlife, and plants that are native to the area, including species protected under the California Endangered Species Act and/or the federal Endangered Species Act. The term “habitat” includes vegetation along banks and shorelines that contribute to maintaining watershed health. The term “native” refers to plants and animals that occur naturally on the Property, and are defined as “native” by the California Department of Fish & Wildlife and its successors.
- Forest resources on the Property. Forest resources consist of mid-elevation Sierra Nevada mixed conifer forest type and riparian vegetation that provide protection for wildlife and fisheries.
- The scenic viewshed of the Property in keeping with the surrounding environment, providing a contiguous forested landscape visible to passersby on the nearby roads and highways.
- Outdoor recreation in the form of passive recreational pursuits such as hiking, fishing and sightseeing.
- Identified historical and cultural values, to the extent they are protected by state and federal law.

Tax Neutrality

PG&E will continue to own and pay property taxes on the property.

Hazardous Waste Disclosure

PG&E has provided the Summary of Potential Environmental Issues on Land to be Retained, prepared by AMEC Geomatrix, Inc. dated June 22, 2011 to Western Shasta RCD, fulfilling the disclosure requirements of the Land Conservation Commitment.

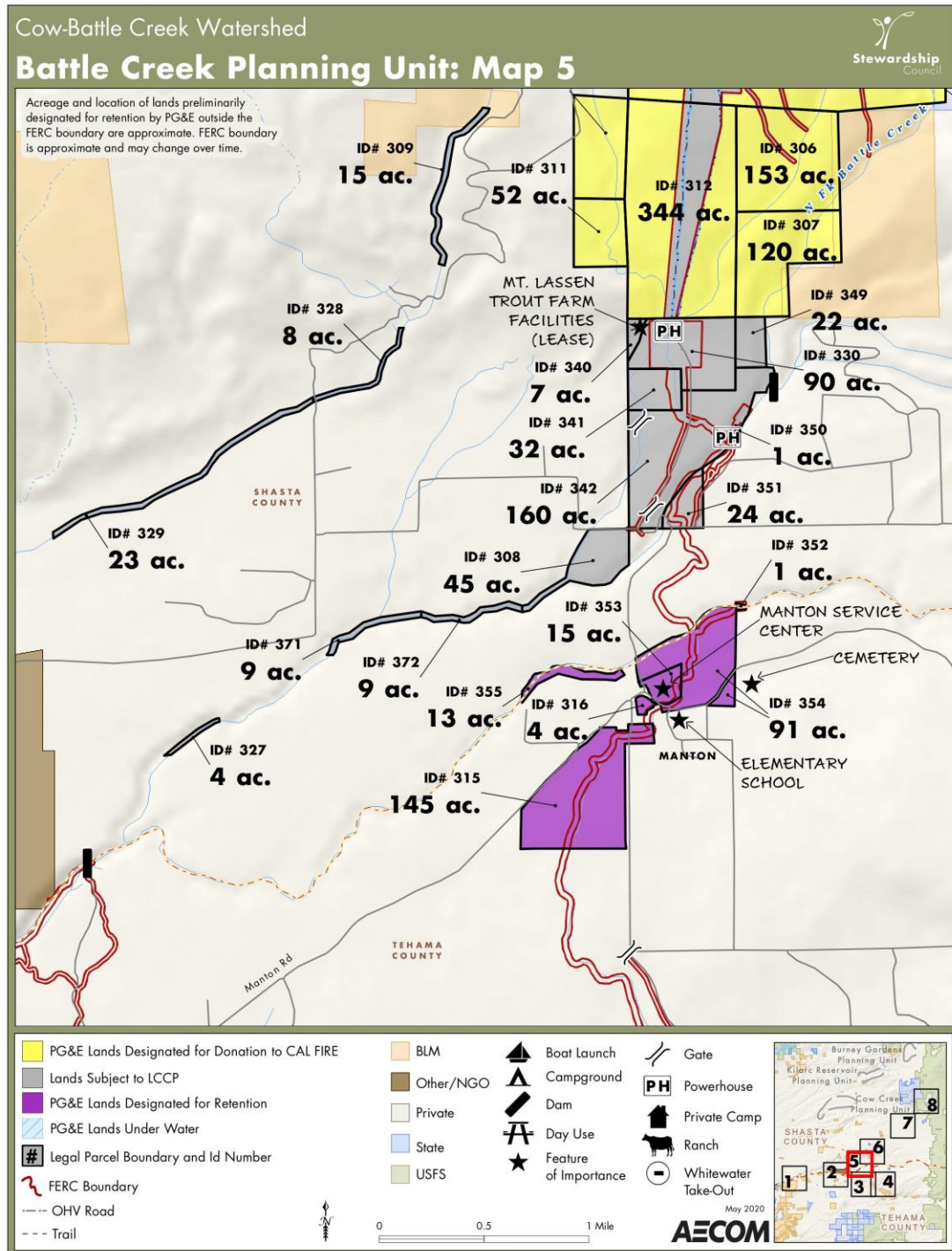
Consideration of Parcel Split

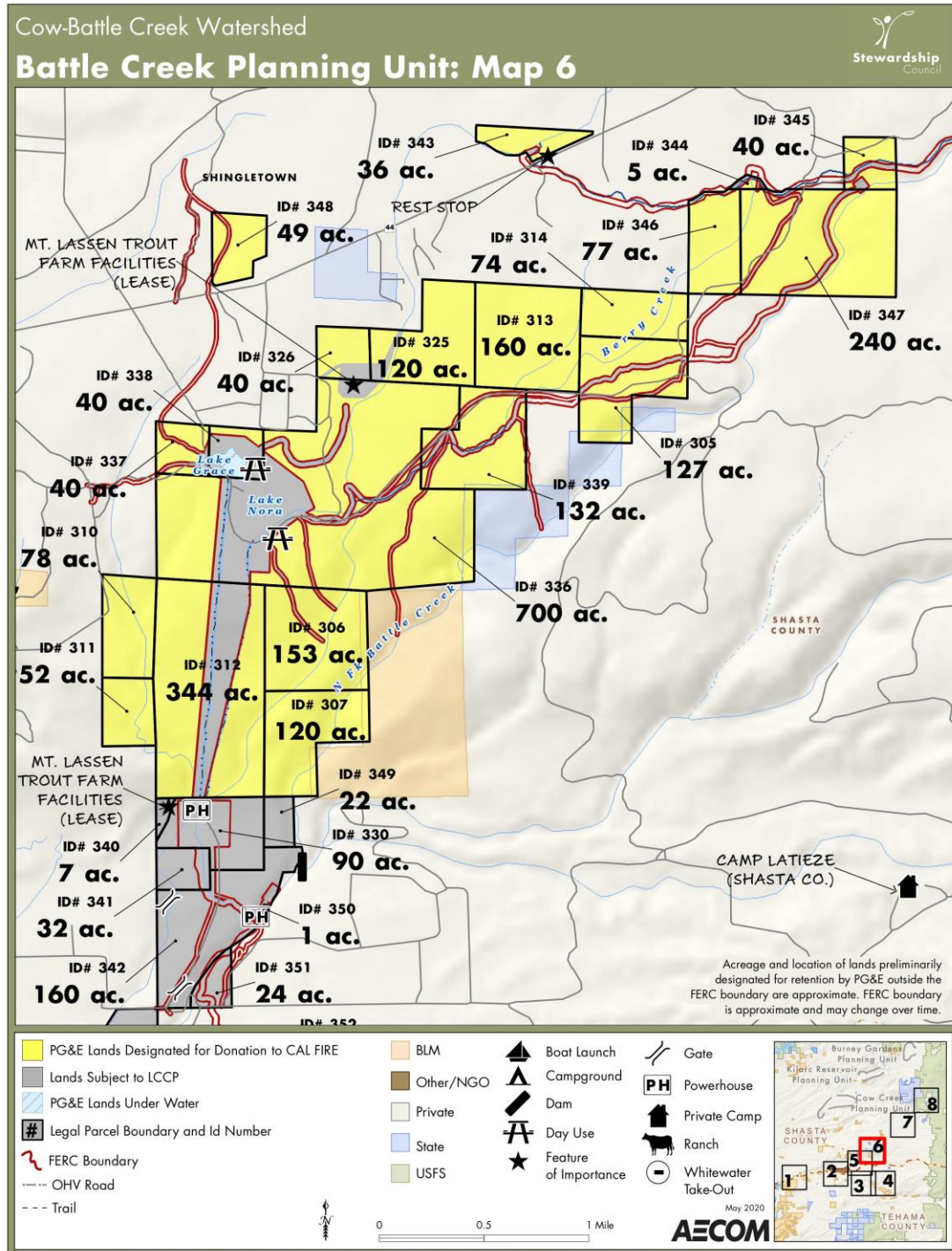
Within Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372, approximately 1,727 acres will be retained by PG&E. PG&E determined that operational needs would be met sufficiently through the reservation of rights for ongoing hydroelectric operations on the acreage to be donated to CAL FIRE within these parcels. To effectuate transfer of a portion of the property, parcel splits will be 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 future conveyances of parcels within this planning unit.

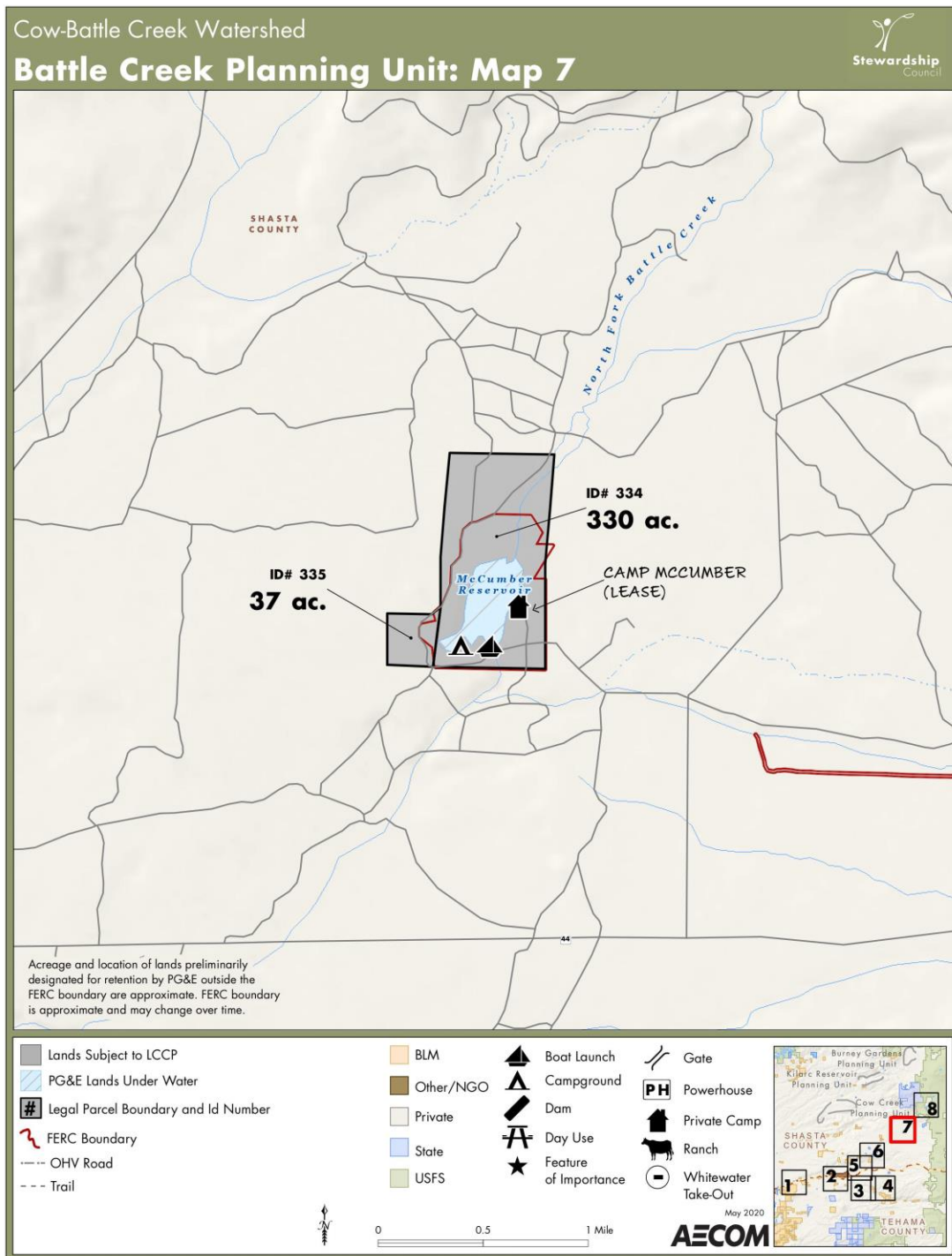
Applicable CEQA Exemption(s) or Reason Why Transaction is not a “Project Under CEQA”

This Battle Creek transaction will not result in a direct physical change or a reasonably foreseeable indirect physical change in the environment; therefore, the Stewardship Council does not believe that the transaction is a project under CEQA. In addition, the establishment of a conservation easement is categorically exempt under Section 15325 of the CEQA Guidelines (CFR Title 14, Chapter 3), and Public Resources Code 21080.28 states that CEQA review is not required before a public agency transfers an interest in property, provided the purpose of the transfer is to conserve the land for habitat, open space, agricultural, or historic preservation, among other purposes. If, in the future, PG&E pursues or allows new development or uses that are allowed by the conservation easement, it must first obtain all necessary permits and conduct any necessary CEQA review at that time.

Exhibit 1. Map of the Property







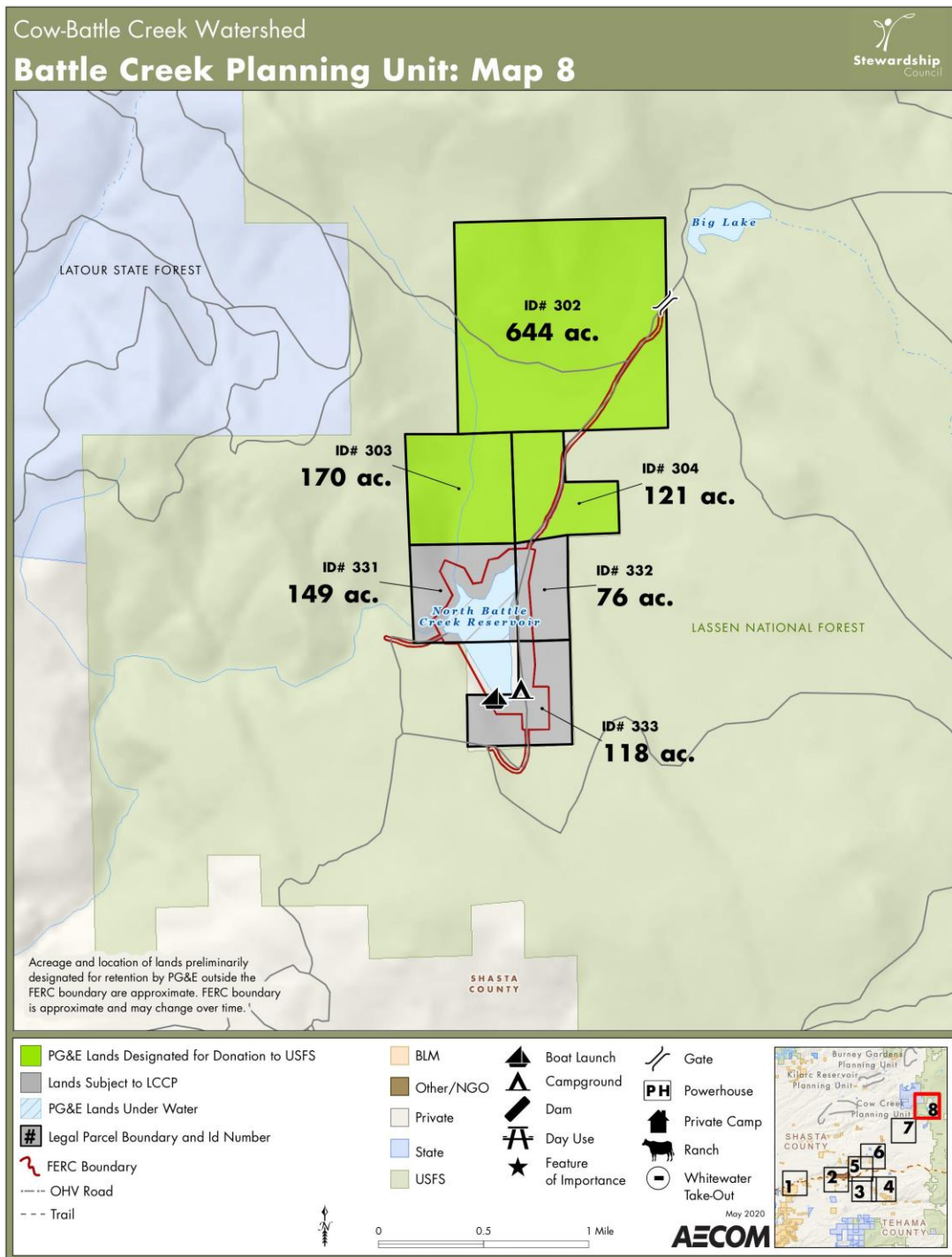


Table of Contents

Executive Summary.....	1
Introduction.....	9
1. Acreage, Existing Economic Uses and Agreements.....	13
2. Objectives to Preserve and/or Enhance the BPVs.....	15
3. Retention or Donation of Fee Title and Recommendation for Conservation Easement Donation	17
4. Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance the BPVs.....	20
5. Analysis of Tax and Other Economic and Physical Impacts.....	21
6. Hazardous Waste Disclosure.....	22
7. Consideration of Parcel Split.....	23
8. Strategy for Physical Measures to Enhance the BPVs.....	24
9. Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures.....	25
10. Implementation Schedule for Transactions and Measures.....	26

Appendices

Appendix 1. Summary of Public Outreach	27
Appendix 2. Conservation Easement	33
Appendix 3. Stewardship Council Conservation Easment Funding Agreement	91
Appendix 4. Settlement Agreement, Appendix E	121

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, Native American tribes and groups, 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. The Stewardship Council also made a concerted effort to extend the benefits of PG&E's Land Conservation Commitment to Native American tribes and groups, including meeting in person with representatives of Native American entities and conducting special outreach to best ensure Native American entities were aware of, and provided full access to participate in the opportunities presented by PG&E's Land Conservation Commitment.

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 provided 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 Battle Creek planning unit, is provided in Appendix 1. Furthermore, the proposed LCCP was made available for public review and comment before it was forwarded by the Watershed Planning Committee to the board for its review and approval.

The Stewardship Council Board of Directors recommends that Western Shasta Resource Conservation District (RCD) hold a conservation easement encumbering all 1,727 acres within the 35 parcels (302, 304-306, 308-309, 312, 326-351, and 371-372) in the Battle Creek planning unit that are to be retained by PG&E.

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

<p>(1) Acreage, Existing Economic Uses and Agreements <i>"Reasonably exact estimates of acreage, by parcel, within or outside licensed project boundaries, and existing economic uses (including all related agreements);"</i></p>
<p>(2) Objectives to Preserve and/or Enhance <i>"Objectives to preserve and/or enhance the BPVs, as defined in the Settlement Agreement, Appendix E, of each individual parcel;"</i></p>
<p>(3) Retention or Donation of Fee Title and Recommendation for Conservation Easement Donation <i>"A recommendation for grant of a conservation easement or fee simple donation for each such parcel;"</i></p>
<p>(4) Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance BPVs <i>"A finding that the intended donee of such easement or fee simple has the funding and other capacity to maintain that property interest so as to preserve and/or enhance the BPVs thereof;"</i></p>
<p>(5) Analysis of Tax and Other Economic and Physical Impacts <i>"An analysis of tax and other economic and physical impacts of such disposition strategy, and a commitment by an appropriate entity to provide property tax revenue, other equivalent revenue source, or a lump sum payment, so that the totality of dispositions in each affected county under the LCC will be 'tax neutral' for that county;"</i></p>
<p>(6) Hazardous Waste Disclosure <i>"A disclosure of all known hazardous waste or substance contamination or other such environmental liabilities associated with each parcel;"</i></p>
<p>(7) Consideration of Parcel Split <i>"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;"</i></p>
<p>(8) Strategy for Physical Measures to Enhance BPVs <i>"A strategy to undertake appropriate physical measures to enhance the BPVs of individual parcels; provided that no such measure will be in conflict with the provisions of Settlement Agreement paragraph 17(c) and Appendix E paragraph 1;"</i></p>
<p>(9) Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures <i>"A plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures on the applicable management objectives;"</i></p>
<p>(10) Implementation Schedule for Transactions and Measures <i>"A schedule for the implementing transactions and measures."</i></p>

1. Acreage, Existing Economic Uses and Agreements

Acreage and Property Description

Approximately 1,727 acres in 35 parcels (Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372) will be retained by PG&E and, consistent with the conditions in the Settlement Agreement, will be encumbered with a perpetual conservation easement, granted by PG&E to Western Shasta RCD as described in Chapter 3.

The Battle Creek planning unit is comprised of parcels primarily located in and around the rural communities of Shingletown and Manton in Shasta and Tehama counties, approximately 30 miles east of the City of Redding. The most eastern area (North Battle Creek Reservoir) and the most western area (Coleman Forebay) are separated by about 28 miles (by air).

The planning unit provides aquatic habitat within the planning unit's many reservoirs, lakes, creeks, and canals. Rainbow trout are found in the two reservoirs and two lakes. Other than the mainstem of the Sacramento River, Battle Creek may be the only remaining creek in California that can sustain breeding populations of steelhead (Federally threatened) and all four runs of chinook salmon (winter, late fall, fall, and spring-run), a State and Federally threatened species. Wildlife species in the planning unit include yellow-breasted chat, ringtail, deer, several bat species, and a variety of raptors including hawks, eagles, and osprey.

Developed recreation facilities are all located in the northern half of the planning unit at the two reservoirs and the two lakes. North Battle Creek and McCumber Reservoirs both contain a campground and boat launch and receive camping, fishing and boating use. Both Lakes Grace and Nora have developed recreation facilities including a ten-site day use area at each lake; and both lakes receive year-round local fishing use.

There are six PG&E Timber Management Units (TMUs) on the parcels to be retained by PG&E. The North Battle Creek Reservoir, Lake Grace, and Millseat Creek TMUs include a total of 1,923 timbered acres. These TMUs are managed under a Recreation and Sustainable Timber Management prescription, meaning that recreation in these areas is compatible with timber management. Forest management in designated recreation areas is limited to fuel reduction, hazard tree removal, and improvement of aesthetics. Outside of designated recreation areas, sustainable timber management is emphasized.

The two TMUs surrounding the Lake Grace TMU are the Berry Creek (812 timbered acres) and Volta Powerhouse (77 timbered acres) TMUs. These TMUs are managed under a Sustainable Timber Management prescription, meaning that sustained timber production is regarded as the highest and best use of the land while also placing an emphasis on protecting water quality, wildlife and fisheries habitat, soils, carbon sequestration, and cultural resources.

The McCumber Reservoir TMU contains 221 timbered acres of second-growth mixed conifer forest, including ponderosa pine and white fir species. This TMU is managed

under a Multiple Use prescription, meaning that protection and uses of other resources and facilities may preclude sustained timber management as the highest and best use of portions of the TMU.

Aquaculture currently occurs at two Mount Lassen Trout Farm facilities where farm-raised trout and steelhead are produced. Grazing does not occur within the parcels that are included in this LCCP.

The planning unit lies within the ancestral territory of the Yana people. Both historic and prehistoric resources are present within the Battle Creek planning unit.

Adjacent and Nearby Landowners

The 35 parcels within the Battle Creek planning unit to be retained by PG&E are surrounded by private lands, State lands, US Bureau of Land Management lands, and National Forest System lands managed by Lassen National Forest. The parcels are accessed via Ponderosa Way, FERC Project roads, private roads, Short Hill Drive, Wilson Hill Road, Rocky Oaks Road, Lake McCumber Road, Lake Grace Resort Road, Powerhouse Road, Linda Road, Arbor Way, Waleswood Road, Rock Creek Road, and USFS roads 32N18, 32N31, and 32N16.

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 are recorded encumbrances on the property to be retained by PG&E at the Battle Creek planning unit for transmission lines, underground communication lines, roads, a ditch, a wagon road, Keswick Ditch, a sewage system, a public highway, and communication lines. There are two existing lease agreements for economic uses on the lands to be retained by PG&E in the Battle Creek planning unit: one lease for aquaculture purposes and a lease for group recreation at Camp McCumber.

PG&E 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.

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.”²

The following text lists the objectives for each BPV at the Battle Creek planning unit 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 PG&E’s hydro and other reserved rights as provided in the conservation easement.

1. Objective: Preserve and enhance habitat in order to protect special biological resources and coordinate with ongoing restoration projects in the area.

The conservation easement (Appendix 2) includes a list of BPVs that will be protected including the following BPV: “Habitat for fish, wildlife, and plants that are native to the area, including species protected under the California Endangered Species Act and/or the federal Endangered Species Act. The term “habitat” includes vegetation along banks and shorelines that contribute to maintaining watershed health. The term “native” refers to plants and animals that occur naturally on the Property, and are defined as “native” by the California Department of Fish & Wildlife and its successors.”

2. Objective: Preserve open space in order to protect natural and cultural resources, viewsheds, and agricultural land uses.

The conservation easement will conserve the scenic character of the property 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 recreation opportunities and management, and enhance the recreation experience.

The conservation easement identifies outdoor recreation, such as hiking, fishing, and sightseeing, as a BPV. Furthermore, the conservation easement provides that the landowner will allow public access on the property at levels substantially consistent with those existing at the time the conservation easement is recorded, subject to PG&E’s

² Land Conservation Commitment I.02-04-026, Appendix E, p. 38

Reserved Rights (Section 7 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 a sustainable forest, preserve and enhance habitat, as well as to ensure appropriate fuel load and fire management.

Forest management activities will be subject to compliance with applicable laws and conducted as further described and allowed in the conservation easement (Appendix 2).

5. Objective: Preserve and enhance grazing in order to support associated economic benefits, as well as to protect open space and habitat resources.

The acreage to be retained by PG&E in this transaction is not currently used for grazing.

6. Objective: Identify and manage cultural resources in order to ensure their protection.

The conservation easement will protect identified historical and cultural values on the Property to the extent they are protected by state and federal law.

3. Retention or Donation of Fee Title and Recommendation of 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 Battle Creek planning unit. Commencing in 2005, the Stewardship Council engaged in a robust public outreach process to solicit interest from eligible entities in receiving fee donations or holding conservation easements on PG&E Watershed Lands. Numerous meetings were held throughout the Watershed Lands with interested organizations and other stakeholders.

The formal solicitation and selection 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. Organizations who were invited to submit a LSP were invited to tour the lands of interest with representatives of PG&E and the Stewardship Council.
- 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, as well as other properties required for continuing and future utility operations. However, these Watershed Lands will be conserved via a conservation easement. See Appendix 4 for a description of PG&E's Land Conservation Commitment.

The Stewardship Council received Land Stewardship Proposals (LSPs) in 2011 from the US Forest Service – Lassen National Forest, and CAL FIRE. Based on review of the LSPs, follow-up discussions with the interested organizations, and site visits, the board recommended both the US Forest Service and CAL FIRE to receive fee title donations within the planning unit. The US Forest Service received a donation of 934 acres and CAL FIRE will receive approximately 2,050 acres within the planning unit.

Lands to be Retained by PG&E

1,727 acres within 35 parcels (302, 304-306, 308-309, 312, 326-351, and 371-372) of the Battle Creek planning unit will be retained in fee by PG&E.

The map in Exhibit 1 shows all of the land within Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372 in the Battle Creek planning unit that will be retained by PG&E. The map also shows key features in the planning unit and surrounding area, and the ownership of adjacent land.

2,335 acres primarily in Tehama County will also be retained by PG&E and are the subject of a separate LCCP with a conservation easement held by Northern California Regional Land Trust.

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 Western Shasta Resource Conservation District (RCD) will hold the conservation easement over Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372 in the Battle Creek planning unit. The qualifications of the Western Shasta RCD are described in Chapter 4.

Accordingly, immediately following the Section 851 approval of PG&E’s grant of a conservation easement over lands retained by PG&E in the Battle Creek planning unit, PG&E and Western Shasta RCD will execute the conservation easement and it will be recorded.

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

Selected Organizations

At the conclusion of the selection process referenced above, the following organization was endorsed by the Stewardship Council board on June 27, 2012:

- Western Shasta Resource Conservation District (RCD) to hold a conservation easement over 1,727 acres within 35 parcels to be retained by PG&E (Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372) in the Battle Creek planning unit.

Capacity of Selected Organizations

The Stewardship Council board finds that Western Shasta RCD has the funding and other capacity to maintain the property interest so as to preserve and/or enhance the BPVs³.

- The Western Shasta RCD is a special district dedicated to the conservation and restoration of western Shasta County's natural resources through collaboration with landowners, government agencies, and other organizations since 1957.
- Based in Anderson, California, the Western Shasta RCD has a six-member board and a staff of over 15 employees with expertise in botany, wildlife, conservation and restoration management, GIS and mapping, and forestry. The RCD has a certified pesticide/herbicide applicator and certified sawyers.
- The Western Shasta RCD has a diverse natural resource portfolio, with projects ranging from fuels reduction and forestry management to wetland restoration and enhancement, as well as holding seven conservation easements covering over 3,730 acres.

³ 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

PG&E is retaining fee title ownership of 1,727 acres within Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372 of the Battle Creek planning unit and as such, PG&E will continue to pay property taxes to Shasta County as assessed by the State Board of Equalization.

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 302, 304-306, 308-309, 312, 326-351, and 371-372 of the Battle Creek planning unit have not mandated any changes to the physical or economic uses and PG&E intends to manage the lands in a manner consistent with the current physical and economic uses.

No new activities are proposed that will result in physical impacts.

The conservation easement held by Western Shasta RCD will permit existing economic uses on the lands to continue. The conservation easement will prohibit development and other uses of the land that would significantly impair the BPVs, all subject to PG&E’s Hydro Reserved Rights. PG&E’s Hydro Reserved Rights are referenced in the conservation easement, which can be found in Appendix 2.

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.

Lands to be Retained by PG&E

PG&E is retaining fee title ownership of 35 parcels (302, 304-306, 308-309, 312, 326-351, and 371-372) within the Battle Creek planning unit and has prepared a Summary of Potential Environmental Issues on Land to be Retained, prepared by AMEC Geomatrix, Inc. dated June 22, 2011 to Western Shasta RCD, fulfilling the disclosure requirements of the Land Conservation Commitment.

7. Consideration of Parcel Split

Within Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372, approximately 1,727 acres will be retained by PG&E. PG&E determined that operational needs would be met sufficiently through the reservation of rights for ongoing hydroelectric operations on the remaining property to be donated to CAL FIRE within these parcels. To effectuate transfer of a portion of the property, parcel splits will be 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 future conveyances of parcels within this planning unit.

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)⁴ 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.

⁴ 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 has entered into an agreement with the Sierra Nevada Conservancy (SNC), a state agency, whereby SNC will undertake certain duties 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 (2022-23)
- CPUC review and approval (2022-23)
- Close of escrow (2023)
- Stewardship Council release of funds to Western Shasta RCD per conservation easement funding agreement (2023)

Compliance with Local Land Use Planning Requirements

Future management of Parcels 302, 304-306, 308-309, 312, 326-351, and 371-372 at the Battle Creek planning unit 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: Public Outreach Summary

- 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.

BATTLE CREEK 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 Battle Creek 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.

Fifteen public comments were submitted concerning the Battle Creek Planning Unit during public review of Volumes I and II of the LCP. Public comments emphasized the following regarding the future management of the property:

- Support for PG&E to retain all of the property that Camp McCumber resides on
- Support for lands available for donation to transfer to the BLM in order to enhance public access and recreation and to increase public holdings within the proposed Sacramento River National Recreation Area.
- Eradicate aquatic weeds in Lake McCumber
- Involve youth in the protection and restoration of the BPVs, including sustainable forestry management
- Assess the potential to develop a high adventure youth resident camp
- Support for grazing to continue
- Enhance outdoor recreation, such as hiking, climbing, and nature watching
- Restore natural ecological processes while maintaining historic uses
- Emphasize reforestation and improve timber stands
- Do not allow carbon sequestration since requirements have not been standardized

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

Appendix 1: Public Outreach Summary

parcels within the Battle Creek planning unit to a Public Information Meeting that was held in Palo Cedro in 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 Pit-McCloud and Cow Battle Creek Watershed areas was hosted by the Stewardship Council on March 24, 2011, in Palo Cedro, California. The meeting concerned eight planning units: Battle Creek, Burney Gardens, Cow Creek, Iron Canyon Reservoir, Kilarc, Lake McCloud, Pit River, and Tunnel Reservoir. Attendees at the workshop included a total of 49 individuals representing a wide variety of interests including local and federal governments, community organizations, and community members. 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 Battle Creek planning unit.

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

Battle Creek Planning Unit

- Donate Parcels 323 and 365 to an entity that has experience with fisheries and recreation management, rather than to entities with only land management experience
- Promote consistent coordination between the Greater Battle Creek Watershed Working Group and Battle Creek Watershed Conservancy
- Fishing access at Ashbury may conflict with Battle Creek Watershed Conservancy Plan
- Restrict public access to existing public roads
- Ensure fee title recipient has the financial capacity to own and manage the lands available for donation
- Timely updates should be posted on the Stewardship Council's website
- Support for lands available for donation to be transferred to CAL FIRE and/or Shasta County
- Concern expressed about transferring forested lands to the US Forest Service or Pit River Tribe
- Forested lands should be managed for long-term productivity

IV. PUBLIC REVIEW OF LAND STEWARDSHIP PROPOSALS

In September 2011, the Stewardship Council received two Land Stewardship Proposals from organizations interested in being considered for a donation of fee title to certain lands located within the Battle Creek planning unit. The US Forest Service and the California Department of Forestry and Fire

Appendix 1: Public Outreach Summary

Protection. 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

Appendix 1: Public Outreach Summary

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 fee and conservation easement recommendations at the Battle Creek planning unit were provided to the board for consideration at the relevant public board meetings.

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

Appendix 1: Public Outreach Summary

board action taken is noted in the meeting minutes that are posted on the Stewardship Council's website following each meeting.

All public comments received will be provided to the board. There is also an additional opportunity for public comment at the public board meeting when the board considers approval of the proposed LCCP. Adoption of an LCCP by the board would be the final step in the Stewardship Council's process for selecting donees. The prospective donees are responsible for securing 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.

RECORDING REQUESTED BY PACIFIC GAS AND ELECTRIC COMPANY Land Department Attention: Paul Coviello 1850 Gateway Blvd, Room 7043C Concord, CA 94520	
WHEN RECORDED MAIL TO PACIFIC GAS AND ELECTRIC COMPANY 245 Market Street, N10A, Room 1015 P.O. Box 770000 San Francisco, California 94177	
The undersigned Grantor declares that the documentary transfer tax is \$-0- (R&T Code 11911 court-ordered conveyance or decree that is not pursuant to sale). R & T Code §11922 exemption applies – Grantor is a political subdivision of the State of California)	(Space Above this Line for Recorder's Use)

LD # _____

A.P.N.: 034-370-003, 034-370-009, 095-180-008, 096-070-006, 096-160-003, 096-320-007, 701-010-015, 701-330-019, 703-060-004, 703-060-005, 703-090-002, 703-160-001, 703-160-002, 703-160-004, 703-160-017, 703-250-026, 703-250-027, 703-250-030, 703-250-035, 703-300-002, 703-320-016, 704-270-007

Date: _____

DEED OF CONSERVATION EASEMENT AND AGREEMENT
(BATTLE CREEK PLANNING UNIT)

Between

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation,
as Grantor

and

WESTERN SHASTA RESOURCE CONSERVATION DISTRICT,
a California special district,
as Grantee

Note to the County Recorder: This is a conservation easement within the meaning given to such term in California Government Code §27255 and is to be included in the index developed and maintained pursuant to such section.

Table of Contents

	<u>Page</u>
1. Grant of Easement	3
2. Purpose	4
3. Baseline Documentation Report	4
4. Commission and FERC	4
5. Rights Conveyed to Grantee	4
5.1 Identification, Monitoring and Enforcement.....	4
5.2 Access	5
5.3 Grantee Signs.....	5
6. Prohibited Uses	6
7. Grantor's Reserved Rights	6
7.1 Hydro and Other Reserved Rights.....	6
7.2 Definitions	6
7.2.1 Anticipated Significant Actions	6
7.2.2 Required Actions.....	7
7.2.3 Specified Required Actions	7
7.2.4 Discretionary Action	7
7.2.5 Hydro Operating Zone.....	7
7.3 Annual Work Plan Notification, Consultation and Consent Requirements	7
7.3.1 Delivery and Contents of Annual Work Plan	7
7.3.2 Review of Annual Work Plan.....	8
7.3.3 Anticipated Significant Actions within Hydro Operating Zones.....	9

7.3.4	Anticipated Significant Actions Outside Hydro Operating Zones	9
7.4	Anticipated Significant Actions Not Identified in Annual Work Plan	10
7.5	Emergency Actions	10
7.6	Water Rights	10
8.	Responsibility for Operations	10
8.1	Condition of Property	11
8.2	Taxes	11
8.3	Permits and Approvals	11
8.4	Limitation on Restoration Obligations	11
9.	Third Party Use of the Property	11
9.1	Express Third Party Uses	11
9.1.1	Increases in Intensity or Expansion of Location or Size or Change in Use	12
9.1.2	Renewal or Replacement of Third Party Use Agreements	12
9.1.3	Consultation on Express Third Party Uses	12
9.1.4	Enforcement of Third Party Use Agreements	12
9.2	Informal Uses and Public Access	12
9.2.1	Rules and Regulations	13
9.2.2	Liability Limitation	13
9.2.3	Periodic Review of Informal Uses	13
9.3	Unauthorized Third-Party Uses	13
10.	Enforcement and Remedies	13
10.1	Procedures Upon Violation	13
10.2	Litigation	14

10.3	Emergency Injunctive Relief	14
10.4	Remedies Cumulative.....	14
10.5	Costs of Enforcement	14
10.6	No Waiver	15
11.	Indemnification and Insurance.....	15
11.1	Indemnification by Grantee	15
11.2	Indemnification by Grantor.....	15
11.3	Release.....	15
11.4	Insurance	16
12.	Grantee Transfer of Easement	16
12.1	Voluntary Transfer	16
12.2	Involuntary Transfer	17
13.	Subsequent Property Transfers by Grantor	17
13.1	Rights of Grantor	17
13.2	Potential Release of Hydro Reserved Rights.....	17
13.2.1	Conveyance of Entire Property	17
13.2.2	Partial Conveyance	18
13.2.3	Grantor's Continuing Reserved Rights	19
13.2.4	Easement Amendment.....	19
13.2.5	Transfer Restrictions Remain Applicable	19
14.	Extinguishment and Condemnation.....	19
14.1	Extinguishment	19
14.2	Condemnation	19
14.3	Proceeds.....	20

15.	Estoppel Certificates.....	20
16.	Notices	21
17.	Amendment.....	22
18.	Hazardous Substances	22
18.1	Definitions	22
18.2	Allocation of Responsibility for Hazardous Substances	24
18.2.1	Generally.....	24
18.2.2	Environmental Reports.....	24
18.2.3	Grantor Responsibility for the Cost of Necessary Remediation	24
18.2.4	No Owner or Operator Liability.....	24
18.3	Hazardous Substances Indemnification.....	24
18.3.1	By Grantor.....	24
18.3.2	By Grantee	25
19.	Carbon Rights.....	25
19.1	Promotion of Climate Stability.....	25
19.2	Reservation of Carbon Rights.....	25
19.3	Carbon Certification	25
20.	General Provisions	26
20.1	Governing Laws.....	26
20.2	No Public Dedication.....	26
20.3	Liberal Construction	26
20.4	Further Assurances	26
20.5	Severability	26
20.6	Entire Agreement.....	26

20.7	No Forfeiture	26
20.8	Successors	26
20.9	Recordation	27
20.10	Termination of Rights and Obligations	27
20.11	Attorneys' Fees	27
20.12	Mortgage Liens Subordinate	27
20.13	Pre-Existing Water Rights	27
20.14	Table of Contents and Captions	28
20.15	Incorporation of Recitals	28
20.16	List of Exhibits	28
20.17	Counterparts	28

**DEED OF CONSERVATION EASEMENT AND AGREEMENT
(BATTLE CREEK PLANNING UNIT)**

THIS DEED OF CONSERVATION EASEMENT AND AGREEMENT (this "**Easement**") is made and entered into this _____ day of _____, 20__ (the "**Effective Date**") by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("**Grantor**"), and WESTERN SHASTA RESOURCE CONSERVATION DISTRICT, a California special district ("**Grantee**"), with reference to the following facts:

RECITALS

A. The Property. Grantor is the owner of approximately 1,727 acres of real property located in Shasta County, State of California, as more particularly described in the attached Exhibit A (the "**Property**").

B. FPA and FERC Jurisdiction. The Property lies within the boundaries of one or more hydroelectric projects licensed to Grantor pursuant to Part I of the Federal Power Act, 16 U.S.C. §§792-823d ("**FPA**").

1. FPA and FERC Requirements. The FPA requires regulation of the construction, operation, and maintenance of non-federal hydroelectric power projects pursuant to licenses issued by the Federal Power Commission, or its successor, the Federal Energy Regulatory Commission ("**FERC**"). Each such license requires the licensee to undertake appropriate measures on behalf of both developmental and environmental public interest uses of a waterway, including as relevant fish and wildlife protection and enhancement, irrigation, flood control, water supply, and recreation, together with whatever other beneficial public uses the license identifies as a "Project Purpose." The license requires the licensee to acquire and retain all interests in non-federal lands and other property necessary or appropriate to carry out the Project Purposes.

2. FPA and FERC Non-Project Uses. The FPA provides FERC with authority to regulate the use of a licensed project's lands and waters not only by the licensee but also by any other entity. FERC refers to such third-party use as "non-project use of project lands and waters." Even where the third-party use may be compatible with and even promote a specified Project Purpose, such use is "non-project," because it is not in the license as a direct obligation of the licensee. As a FERC licensee for the Property which is the subject of this Easement, Grantor must (except for very minor matters) apply to FERC for approval to convey to a third party any easement over project lands. FERC approval requires conveyance instruments to contain recorded covenants providing that the non-project use will not interfere with Project Purposes, and requires its licensees to enforce such covenants and protect the project values.

3. Removal of FERC Jurisdiction. FERC jurisdiction and authority over a licensed hydropower project is removed if and when (1) the project is decommissioned and the project license is surrendered or otherwise terminated; or (2) FERC determines that the project does not require a license to continue to operate, and the license expires or is otherwise terminated. Neither FERC nor the hydropower project license can bestow, remove, or alter water or other property rights; therefore, the end of FERC jurisdiction over the project has no effect on existing property rights in project lands and waters, including any conservation easements on such lands.

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

D. Grantor Party to Stipulation. 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 (the "**Stipulation**").

E. Governing Documents and Beneficial Public Values. The Settlement Agreement and the Stipulation (collectively, the "**Governing Documents**") require Grantor to ensure that approximately 140,000 acres of watershed lands, all owned by Grantor (collectively, the "**Watershed Lands**"), including the Property, are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The obligations of Grantor to convey 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.**"

F. Stewardship Council and Land Conservation Plan. Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California non-profit public benefit corporation (the "**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 (the "**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.

G. California Civil Code §815. The Legislature of the State of California, as set forth in California Civil Code §815 *et seq.*, has found and declared it to be the public policy and in the public interest of this state to encourage the preservation of land in its

predominantly natural, scenic, agricultural, historical, forested, or open-space condition, and that it is "the public policy and in the public interest of this state to encourage the voluntary conveyance of conservation easements to qualified nonprofit organizations."

H. Grantee Qualified Organization. Grantee is a Special District and is eligible to acquire and hold a perpetual conservation easement pursuant to §815.3(b) of the California Civil Code.

I. Grantor's Continuing Hydro Project Activities. Grantor has used and continues to use the Property for the purposes related to the generation of electricity from hydropower facilities and related to the delivery, storage, and consumptive and nonconsumptive use of water as described more fully on attached Exhibit B (the "**Hydro Project Activities**"). In furtherance of the Hydro Project Activities, Grantor has improved portions of the Property with water- and power-related facilities, access roads, recreational facilities, buildings and other structures. The Governing Documents provide that "[c]onservation easements on 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."

J. Perpetual Protection of Beneficial Public Values. Grantee and Grantor intend through this Easement to ensure the perpetual protection of the beneficial public values on the Property as identified in the LCP, on and subject to the terms and conditions of this Easement. Specifically, the parties intend to assure that the beneficial public values identified in the LCP and set forth on Exhibit D (the "**Beneficial Public Values**") will be protected and preserved in perpetuity and that uses of the Property that are inconsistent with protecting and preserving these Beneficial Public Values will be restricted, all as set forth in this Easement; provided, however, that Grantor shall retain all interests not transferred to Grantee by this Easement, including, but not limited to Grantor's Hydro Reserved Rights described in Section 7 below.

AGREEMENT

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

1. Grant of Easement. Grantor hereby grants to Grantee a perpetual "conservation easement" as defined by §815.1 of the Conservation Easement Act of 1979 (California Civil Code §815 et seq.) in gross, in, on, over and across the Property (the "**Conservation Easement**"), 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 on the Property 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 the Hydro Reserved Rights, is consistent with the Purpose of this Easement.

3. Baseline Documentation Report. The parties acknowledge that certain existing conditions particularly relevant to the Property are documented in a baseline documentation report (the "**Baseline Documentation Report**"). Grantor and Grantee each have a copy of the signed Baseline Documentation Report, executed by both parties to acknowledge their approval and receipt of the Baseline Documentation Report. The parties agree that the Baseline Documentation Report contains an accurate representation of such existing conditions of the Property as of the Effective Date, and 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 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.

4. Commission and FERC. The terms and conditions of this Easement are subject to any conditions imposed by the Commission pursuant to [Note: citation to decision/resolution to be inserted] or 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. Notwithstanding anything to the contrary in this Easement, Grantor, its successors, and assigns have the right to perform any and all acts required by an order of FERC, or its successors, without the prior approval of Grantee or any other person. Grantor expressly reserves the right to comply with all FERC orders and regulations as they may be amended from time to time. In addition, Grantee shall comply with any information requests or reporting obligations required by the Commission or FERC, whether directly to the Commission or FERC, or through Grantor; provided that Grantor shall reimburse the reasonable costs and expenses incurred by Grantee in responding to such requests. Execution of this Easement by Grantor does not imply tacit Commission or FERC approval of a non-project use on the Property nor does it obligate Grantor to seek Commission or FERC approval for non-project uses proposed by Grantee.

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

5.1 Identification, Monitoring and Enforcement. The right to identify with Grantor 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.

5.2 Access. The right for Grantee and Grantee's directors, officers, partners, members, managers, employees, contractors, subcontractors, consultants, representatives, agents, permittees and invitees ("**Grantee's Representatives**") to enter onto the Property at reasonable times, during normal business hours, not more than twice 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 10. 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 bi-annual monitoring visits or on any other visit permitted by this Section 5.2. 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 bi-annual inspections contemplated by this Section 5.2. All access and entry allowed under this Section 5.2 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 and restrictions contained in any Third Party Use Agreements. Without limiting the preceding sentence, with respect to secure buildings and facilities, including, but not limited to switching stations, work yards, and power houses at the Property, Grantee shall comply with any and all of Grantor's on-site safety and security requirements and any other rules and regulations that may be implemented by Grantor. Grantee agrees to cooperate with Grantor and to abide by any and all orders or instructions issued by Grantor, its employees, agents or representatives. Upon request, if Grantee's employees or other representatives will be entering into restricted areas of the Property, Grantee shall have its employees who will be entering such areas attend PG&E safety presentations, so that such employees understand all safety precautions and protocols concerning high voltage transmission lines and the electrical substation.

5.3 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 Conservation Easement, and/or (b) the participation of Grantee and of any funder in the stewardship of the Conservation Easement, the wording, size, number, design, and location of which shall be decided upon by Grantee and Grantor, each exercising its reasonable discretion.

6. Prohibited Uses. Grantor will not engage in, or permit others to engage in, the prohibited uses set forth on Exhibit F hereto, except as otherwise provided therein (the "**Prohibited Uses**"), which Grantor and Grantee agree are inconsistent with the Purpose of this Easement.

7. Grantor's Reserved Rights.

7.1 Hydro and Other Reserved Rights. As provided in California Civil Code §815.4, all interests not expressly transferred and conveyed to Grantee by this Easement shall remain in Grantor, including the right to engage in and permit or invite others to engage in all uses of the Property not affected by this Easement nor prohibited by this Easement or by law. In compliance with §815.4, Grantor and Grantee acknowledge and agree that Grantor expressly reserves all rights accruing from the ownership of the Property and not expressly transferred and conveyed to Grantee by this Easement, including without limitation the right to engage in or permit or invite others to engage in all uses of the Property that do not significantly impair the Beneficial Public Values and are not expressly prohibited by this Easement. Without limiting the foregoing, Grantor shall have the right to engage in and permit or invite others to engage in the permitted uses set forth in Exhibit I (the "**Permitted Uses**"). In addition and notwithstanding any other provision of this Easement, Grantor expressly reserves the right to engage in or permit or invite others to engage in those uses set forth in Exhibit C ("**Hydro Reserved Rights**"), subject to the restrictions set forth in Sections 7.3 and 7.4 below.

7.2 Definitions. As used in this Section 7, the following defined terms shall have the meanings set forth below:

7.2.1 Anticipated Significant Actions. As used herein, "**Anticipated Significant Actions**" are (a) those Required Actions (which include Specified Required Actions pursuant to Section 7.2.3), that involve a Prohibited Use and/or that Grantor determines in Grantor's reasonable discretion exercised in good faith are likely to significantly impair one or more of the Beneficial Public Values, (b) Discretionary Actions that Grantor determines in Grantor's reasonable discretion exercised in good faith are likely to significantly impair one or more of the Beneficial Public Values, and (c) Permitted Uses that Grantor determines in Grantor's reasonable discretion exercised in good faith are likely to significantly impair one or more of the Beneficial Public Values. Except as provided in Section 7.3.1, no Grantee notification, consultation or consent shall be required for actions, activities or improvements that are not Anticipated Significant Actions.

7.2.2 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) the Commission, FERC, or any other governmental entity having jurisdiction over Grantor's use, ownership, operation, or management of the Property, including the Hydro Project Activities, or (b) any Applicable Law (as defined in Section 8), or (c) any Third Party Use Agreements, or (d) to comply with professional practices, standards and/or policies governing the Hydro Project Activities. All references in this Agreement to "Required Actions" shall include Specified Required Actions (as defined below) unless otherwise noted.

7.2.3 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. Without limiting Grantor's notification obligations pursuant to Section 7.3.1 below, no Grantee consultation or consent shall be required with respect to any Specified Required Action.

7.2.4 Discretionary Action. As used herein, a "**Discretionary Action**" is an intended action, activity or improvement that is not a Required Action or a Permitted Use, and does not involve a Prohibited Use.

7.2.5 Hydro Operating Zone. As used herein, a "**Hydro Operating Zone**" is a spatially delineated area of the Property intended to primarily contain (or immediately adjacent to an area of the Property containing) Hydroelectric Facilities and Associated Water Delivery Facilities, as defined and described on Exhibit B hereto. The initial delineated Hydro Operating Zones are set forth on Exhibit G hereto; provided, however, that, subject to Sections 7.3 and 7.4 below, Grantor shall have the right, as a Discretionary Action governed by Sections 7.3 and 7.4 below, to expand, contract, add or remove Hydro Operating Zones from time to time.

7.3 Annual Work Plan Notification, Consultation and Consent Requirements.

7.3.1 Delivery and Contents of Annual Work Plan. No later than February 15th of each calendar year after the Effective Date, Grantor shall prepare and deliver to Grantee an annual work plan for the Property (an "**Annual Work Plan**"). In the Annual Work Plan, Grantor shall inform Grantee of the Anticipated Significant Actions Grantor anticipates undertaking on the Property during such calendar year. The Annual Work Plan shall include the following:

(a) a reasonably detailed description of the Anticipated Significant Actions Grantor intends to commence within such calendar year, together with a bullet point list of those actions Grantor intends to commence during such calendar year that Grantor determines do not constitute Anticipated Significant Actions;

(b) a bullet point list of all actions undertaken by Grantor during the immediately preceding calendar year that Grantor determined did not constitute Anticipated Significant Actions and were not described in a previous Annual Work Plan (or otherwise disclosed to Grantee);

(c) an indication of whether the Anticipated Significant Actions will occur within or outside of a Hydro Operating Zone;

(d) Grantor's determination of which Anticipated Significant Actions are Discretionary Actions;

(e) Grantor's determination of which Anticipated Significant Actions are Required Actions, including a reasonably detailed explanation of the basis for Grantor's determination;

(f) Grantor's determination of which Anticipated Significant Actions are Specified Required Actions, including a reasonably detailed explanation of the basis for Grantor's determination;

(g) Grantor's determination of which Anticipated Significant Actions are Permitted Uses, including a reasonably detailed explanation of the basis for Grantor's determination;

(h) Grantor's estimated timeline for commencement and completion of each of the Anticipated Significant Actions;

(i) a description of Grantor's anticipated efforts to avoid or minimize harm to or impairment of the Beneficial Public Values from the Anticipated Significant Actions;

(j) if and when available, Grantor shall use reasonable efforts to provide copies of any underlying filings (including filings, if any, under the California Environmental Quality Act), permits (e.g., burn permits, stream alteration permits, or timber harvest plans), orders or rulings associated with the Anticipated Significant Actions; and

(k) any Third Party Use Agreement renewals or replacements as contemplated by Section 9.1.2 below.

7.3.2 Review of Annual Work Plan. Grantor and Grantee shall meet (in person or electronically) within sixty (60) days after Grantee's receipt of the Annual Work Plan to review the Annual Work Plan. Grantee has the right to request reasonable additional information regarding actions identified in the Annual Work Plan. As part of the Annual Work Plan review process, Grantor and Grantee will consult on Express Third Party Uses as contemplated by Section 9.1 below and Informal Uses as contemplated by Section 9.2 below. Periodically, at such annual review meetings, the

content requirements for the Annual Work Plan as set forth in Section 7.3.1 above may be modified, confirmed by mutual written agreement of the parties.

7.3.3 Anticipated Significant Actions within Hydro Operating Zones. Without limiting Grantor's notification obligations pursuant to Section 7.3.1 above, no Grantee consultation or consent shall be required with respect to any Anticipated Significant Actions within a Hydro Operating Zone.

7.3.4 Anticipated Significant Actions Outside Hydro Operating Zones. The following provisions shall apply with respect to Anticipated Significant Actions outside of a Hydro Operating Zone:

(a) **Specified Required Actions.** Without limiting Grantor's notification obligations pursuant to Section 7.3.1 above, no Grantee consultation or consent shall be required with respect to any Specified Required Actions outside of a Hydro Operating Zone.

(b) **Other Required Actions and Permitted Uses.** With respect to Required Actions and Permitted Uses disclosed in the Annual Work Plan that are not Specified Required Actions and are to be undertaken outside of a Hydro Operating Zone, Grantor and Grantee agree that, at or prior to the meeting to review the Annual Work Plan, 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**"). 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 (i) may be implemented in a commercially reasonable manner balancing the harm to Beneficial Public Values with any increased cost or burden to Grantor, (ii) where applicable, will allow for the completion of a Required Action in a timely manner, and (iii) are reasonably likely to avoid potential harm to or impairment of one or more Beneficial Public Values. If Grantor determines that one or more of the foregoing conditions has not been satisfied, Grantor shall specify the reasons for this determination in detail, and Grantor and Grantee shall cooperate in good faith and with diligence to attempt to resolve Grantor's objections to Grantee's Proposed Methods and Practices consistent with this paragraph.

(c) **Discretionary Actions.** With respect to Discretionary Actions disclosed in the Annual Work Plan that are to be undertaken outside of a Hydro Operating Zone, such 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 one hundred eighty (180) days following Grantee's receipt of Grantor's request for consent, Grantee shall be deemed to have consented to the particular Discretionary Action described in the request. If Grantee withholds its consent to such proposed Discretionary Action to be undertaken outside of a Hydro Operating Zone, Grantee shall specify its objections in detail 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 substantially achieving the purposes of Grantor's proposed Discretionary Action. Grantor and Grantee shall cooperate in good faith and with diligence to attempt to resolve Grantee's objections in a manner that sufficiently mitigates Grantee's objections to its reasonable satisfaction.

7.4 Anticipated Significant Actions Not Identified in Annual Work Plan.

If Grantor intends to undertake an Anticipated Significant Action not identified in an Annual Work Plan, Grantor shall notify Grantee (a "**Notice of Action**"), and include the information required by Section 7.3.1 above. Additionally, Grantor and Grantee shall meet (in person or electronically) within sixty (60) days after Grantee's receipt of the Notice of Action to review Grantor's proposed Anticipated Significant Actions. Any Anticipated Significant Action (other than a Specified Required Action) identified in a Notice of Action which is proposed to occur outside of a Hydro Operating Zone shall be subject to Section 7.3.4 above. Where this Section 7.4 applies, references to the "Annual Work Plan" in Section 7.3.4 above shall be deemed to be references to the applicable Notice of Action except that Grantor shall not be required to provide the list of actions set forth in Section 7.3.1(b) above.

7.5 Emergency Actions. Notwithstanding any other provisions of this

Section 7, in the case of an emergency or other exigent circumstance affecting the safety of persons and/or property, Grantor may exercise its Hydro Reserved Rights and take any other remedial actions in an unrestricted manner on all or any portion of the Property within or outside of a Hydro Operating Zone without consultation with Grantee and without Grantee's consent. Grantor shall provide 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 thirty (30) days after the emergency action has occurred.

7.6 Water Rights. The Parties acknowledge that Grantor's exercise of

water rights relating to water located or flowing on or under the Property, including those described in Exhibit C, are governed by this Section 7.

8. 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:

8.1 Condition of Property. Grantee shall have no duty or responsibility for (a) the operation or maintenance of the Property except to the extent specifically undertaken by Grantee as permitted under this Easement, (b) the monitoring of any hazardous conditions thereon, or (c) the protection of Grantor, the public, or any other person or entity from any risks relating to conditions on the Property.

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

8.3 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.

8.4 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 from that described in the Baseline Documentation Report; (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 9.3.

9. Third Party Use of the Property.

9.1 Express Third Party Uses. Exhibit H hereto describes the existing third party uses of the Property permitted with the express agreement of Grantor ("**Express Third Party Uses**"). Subject to Section 7 above, Express Third Party Uses shall also include any future third party use implemented by Grantor as a Required Action or as a Discretionary Action approved by Grantee in accordance with Section 7. Grantor retains the right to maintain, renew, and replace all agreements memorializing the Express Third Party Uses ("**Third Party Use Agreements**") and to engage in all

activities reasonably required to comply with Grantor's obligations with respect to the Express Third Party Uses, subject to the following conditions:

9.1.1 Increases in Intensity or Expansion of Location or Size or Change in Use. Any (i) increase in the intensity, or (ii) expansion of the location or size, or (iii) a change in the use, of an Express Third Party Use (whether through a new agreement or an amendment to an existing agreement), that Grantor determines in Grantor's reasonable discretion exercised in good faith is likely to significantly impair the Beneficial Public Values shall be subject to Grantee's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed by Grantee, except if such change in Express Third Party Use constitutes a Required Action in which case the consultation provisions of Section 7 above shall apply.

9.1.2 Renewal or Replacement of Third Party Use Agreements. All Third Party Use Agreements existing on the date hereof are identified on Exhibit H. As Third Party Use Agreements are renewed or replaced (either with the existing user or a new user), Grantor, in consultation with Grantee as part of the Annual Work Plan consultation in accordance with Section 7.3 above, shall include contractual provisions to bring the continuation of the Express Third Party Use and the preservation of the Beneficial Public Values into alignment to the fullest extent reasonably practicable.

9.1.3 Consultation on Express Third Party Uses. As part of the Annual Work Plan review process under Section 7.3 above, Grantor and Grantee will consult on existing Express Third Party Uses, including recommendations, if any, on how to bring the Express Third Party Uses and the preservation of the Beneficial Public Values into alignment to the fullest extent reasonably practicable.

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

9.2 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 public access to the Property (other than Hydro Operating Zones) that is substantially consistent with the public access existing on the Effective Date, subject to Section 7 and the following limitations:

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

9.2.2 Liability Limitation. Grantor and Grantee claim all of the rights and immunities against liability for injury to the public to the fullest extent allowable by law.

9.2.3 Periodic Review of Informal Uses. As part of the Annual Work Plan review process under Section 7.3 above, Grantor and Grantee will consult 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.

9.3 Unauthorized Third-Party Uses. If Grantor or Grantee discovers any unauthorized third-party use or activity on the Property (not including any third party violation covered by Section 9.1.4 above) that violates the terms 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 9.3 require Grantor to pursue legal action or incur other substantial costs. If Grantee demonstrates that Grantor's efforts in compliance with this Section 9.3 have not prevented, or are unlikely to prevent, the unauthorized third-party use or activity on the Property that violates the terms of this Easement, 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.

10. Enforcement and Remedies.

10.1 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 fourteen (14) 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 10.2 below.

10.2 Litigation. If the parties are not able to resolve a claim or dispute pursuant to Section 10.1 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 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. Notwithstanding anything to the contrary contained in this Easement, in no event shall the Breaching Party be liable to the Non-Breaching Party for, and the parties each hereby waive their right to, any indirect, special, punitive, or consequential damages resulting from the Breaching Party's breach of this Easement, whether foreseeable or unforeseeable.

10.3 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 10.1, the Non-Breaching Party may proceed immediately to seek an injunction to stop the violation, temporarily or permanently.

10.4 Remedies Cumulative. The remedies described in this Section 10 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 California Civil Code §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.

10.5 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 20.11, 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.

10.6 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.

11. Indemnification and Insurance.

11.1 Indemnification by Grantee. Grantee shall, to the maximum extent permitted by law, indemnify, protect, defend and hold harmless Grantor, its parent corporation, subsidiaries, affiliates, and their respective 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.

11.2 Indemnification by Grantor. Grantor shall, to the maximum extent permitted by law, indemnify, protect, defend and hold harmless Grantee, its parent corporation, subsidiaries, affiliates, and their respective 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 this Easement or the Property except to the extent caused by the negligence or willful misconduct of the Grantee Indemnitees.

11.3 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 11.2, 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.

11.4 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 E hereto, provided that Grantor reserves the right to periodically review and reasonably modify the insurance requirements specified in Exhibit E 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 thereafter at least thirty (30) days prior to the expiration date of any policy, Grantee shall provide Grantor with evidence of the insurance coverage, or continuing coverage, as applicable, satisfying the requirements of this Section 11.4 and Exhibit E. 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 E. 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 Grantee's consultants, contractors or subcontractors, to comply with the insurance requirements set forth in this Section 11.4 and Exhibit E. Except for the right to access the Property under Section 5.2 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.

12. Grantee Transfer of Easement.

12.1 Voluntary Transfer.

12.1.1 If Grantee desires to assign its interest under this Easement, Grantee shall provide Grantor 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 §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 12.1.1.

12.1.2 Grantee is responsible for identifying a suitable assignee pursuant to Section 12.1.1. However, if a suitable assignee is not identified, then SNC shall have sole discretion to elect to become the assignee of Grantee's interest hereunder.

12.1.3 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 12.1 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 in Grantor's sole discretion exercised in good faith.

12.2 Involuntary Transfer. If Grantee ever ceases to exist or no longer qualifies under §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 12.1.

13. Subsequent Property Transfers by Grantor.

13.1 Rights of Grantor. Subject to the provisions of Sections 7 and 9 above, this Section 13, Section 20.12 below, and Exhibit F, Paragraph 1 below, Grantor shall have the unrestricted right to sell, encumber, or otherwise transfer the Property or portions thereof to anyone Grantor chooses. Notwithstanding the foregoing, 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 a real property 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 13 shall not impair the validity of this Easement or limit its enforcement in any way or create any obligation on the part of Grantee. Grantor recognizes that Grantee may incur direct and indirect costs for monitoring and administration of the Conservation Easement in the event fee title to the Property is transferred under this provision. Accordingly, upon Grantor's sale, transfer or conveyance of fee title of the Property, Grantor shall pay, or cause to be paid, to Grantee a one-time payment of a sum representing the increased cost of such Conservation Easement stewardship, as reasonably determined at such time by Grantee. Such one-time payment shall be in addition to any reimbursements required pursuant to Section 13.2.4 or Section 17 of this Easement.

13.2 Potential Release of Hydro Reserved Rights.

13.2.1 Conveyance of Entire Property. In the event:

(a) Grantor intends to transfer fee title to the entire Property to an unaffiliated third party;

(b) the Hydro Project Activities and any uses and facilities that are unrelated to the Hydro Project Activities but undertaken as a Required Action at the Property have been formally and permanently terminated by Grantor and, as appropriate, decommissioned pursuant to a regulatory proceeding; and

(c) no Hydroelectric Facilities and Associated Water Delivery Facilities, nor other facilities unrelated to Hydro Project Activities installed pursuant to a Required Action are located at the Property,

then, subject to any final orders or decommissioning requirements issued by the FERC and/or other agency(ies) with jurisdiction over the Hydro Project Activities and such other unrelated uses prior to said transfer of the entire Property, Grantor shall release, relinquish and forever terminate, in a manner that shall be binding upon all successors in interest to the Property, (i) all rights of Grantor described in Exhibit C, (ii) the exceptions to the Prohibited Uses for Required Actions and Specified Required Actions set forth in Exhibit F, (iii) the exceptions to the Prohibited Uses in Exhibit F relating to activities within the Hydro Operating Zone, and (iv) Permitted Uses, to the extent related to the Hydro Project Activities, as set forth in Exhibit I (items (i), (ii), (iii) and (iv) being referred to collectively as the "**Reservations**"). Following such release, relinquishment and termination of Reservations, all Anticipated Significant Actions (except for Prohibited Uses and continuing Permitted Uses) shall be subject to Grantee's consent as Discretionary Actions and the Easement shall be interpreted more restrictively in a manner recognizing the release of Reservations. Additionally, following such release, relinquishment and termination of Reservations, the forest management activities specified in Section 9 of Exhibit I shall continue as Permitted Uses, but shall be subject to Grantee's consent as Discretionary Actions.

13.2.2 Partial Conveyance. In the event:

(a) Grantor intends to transfer fee title to less than the entire Property (the "**Transferred Parcel**") to an unaffiliated third party;

(b) the Hydro Project Activities and any uses and facilities that are unrelated to the Hydro Project Activities but undertaken as a Required Action at the Transferred Parcel have been formally and permanently terminated by Grantor and, as appropriate, decommissioned pursuant to a regulatory proceeding; and

(c) no Hydroelectric Facilities and Associated Water Delivery Facilities, nor other facilities unrelated to Hydro Project Activities installed pursuant to a Required Action are located at the Transferred Parcel,

then, subject to any final orders or decommissioning requirements issued by the FERC and/or other agency(ies) with jurisdiction over the Hydro Project Activities and such other unrelated uses, prior to said transfer of the Transferred Parcel, Grantor shall release, relinquish and forever terminate, in a manner that shall be binding upon all successors in interest to the Transferred Parcel, the Reservations with respect to the Transferred Parcel. Following such release, relinquishment and termination of Reservations, all Anticipated Significant Actions (except for Prohibited Uses and continuing Permitted Uses) on the Transferred Parcel shall be subject to Grantee's consent as Discretionary Actions and the Easement shall be interpreted more restrictively in a manner recognizing the release of Reservations as to the Transferred Parcel. Additionally, following such release, relinquishment and termination of Reservations, the forest management activities specified in Section 9 of Exhibit I on the Transferred Parcel shall continue as Permitted Uses, but shall be subject to Grantee's consent as Discretionary Actions.

13.2.3 Grantor's Continuing Reserved Rights. Nothing in Section 13.2.2 shall limit the rights of Grantor in this Easement with respect to the portion of the Property retained by Grantor.

13.2.4 Easement Amendment. In the event of a conveyance and release of Reservations pursuant to this Section 13.2, Grantor and Grantee may agree to amend this Easement, or to create a separate Easement for the Transferred Parcel and for the remaining portion of the Property in accordance with Section 17, to reflect the release of Reservations and, where appropriate, to reflect separate ownership of the Transferred Parcel and the remainder of the Property. In accordance with Section 17 below, Grantor shall reimburse Grantee for all reasonable costs incurred in connection with the drafting, review, negotiation, approval and recording of any amendment or separate Easement pursuant to this Section, including costs incurred in consideration of whether an amendment and/or new Easement(s) is/are necessary or appropriate.

13.2.5 Transfer Restrictions Remain Applicable. Nothing herein shall affect Grantor's obligations under Section 1 of Exhibit F.

14. Extinguishment and Condemnation.

14.1 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.

14.2 Condemnation. If all or part of the Property is taken by the exercise of the power of eminent domain by a public, corporate, or other authority, whether permanent or temporary, including a private sale in lieu of eminent domain, so as to abrogate the restrictions imposed by the Conservation 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 14.3, it being expressly agreed that the Conservation 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 Commission and/or the FERC.

14.3 Proceeds. Pursuant to California Civil Code §815.2(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 prevent a private windfall and to protect the public investment which is involved in the conveyance of the Conservation Easement. That being the case, the parties stipulate that, for the purpose of determining the ratio for proportionate value of each party's respective interest in the Property at the time of termination or extinguishment of the Conservation Easement, the value of the Conservation 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 the Conservation 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 the Conservation 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 jointly selected by Grantor and Grantee. 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 14.3.

15. 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.

16. Notices. **[Note: Always confirm notices addresses are current.]** 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:

Director, Land Management
Pacific Gas and Electric Company
P.O. Box 770000, Mail Code N10A
San Francisco, CA 94177
Re: Land Conservation Commitment

With a copy to:

Law Department
Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120
Attn: Managing Counsel, Commercial and Transactions
(Real Estate)
Re: Land Conservation Commitment

If by personal delivery or overnight courier:

Director, Land Management
Pacific Gas and Electric Company
245 Market Street, Room 1051
San Francisco, CA 94105
Re: Land Conservation Commitment

With a copy to:

Law Department
Pacific Gas and Electric Company
77 Beale Street, Mail Code B30A
San Francisco, CA 94105
Attn: Managing Counsel, Commercial and Transactions
(Real Estate)
Re: Land Conservation Commitment

If to Grantee: Western Shasta Resource Conservation District

Attn: District Manager – Maureen Teubert
6270 Parallel Road
Anderson, CA 96007

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. Either party may change the address for notice by giving notice to the other party in accordance with this Section 16.

17. 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 the Conservation Easement as a conservation easement under California Civil Code §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. Grantor shall be deemed to be the "party requesting the amendment" in connection with any amendment and/or new conservation easement(s) pursuant to Section 13 above and the "reasonable costs incurred" shall include consideration of whether an amendment and/or new conservation easement(s) is/are necessary or appropriate.

18. Hazardous Substances.

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

18.1.1 "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.

18.1.2 **"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 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.

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

18.1.4 **"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.

18.2 Allocation of Responsibility for Hazardous Substances.

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

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

18.2.3 Grantor Responsibility for the Cost of Necessary Remediation. 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.

18.2.4 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. §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.

18.3 Hazardous Substances Indemnification.

18.3.1 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.

18.3.2 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.

19. Carbon Rights.

19.1 Promotion of Climate Stability. Grantor and Grantee anticipate that 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, the federal Energy Policy Act of 1992, section 1605(a) and (b), the United States Climate Challenge Program, the 2007 reports of the International Panel on Climate Change, and California legislation such as that embodied in Fish and Game Code Section 1356.

19.2 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 (subject to and in accordance with Section 7 hereof) 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.

19.3 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 by accommodating Grantor's establishment, verification or certification of 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 an Annual Work Plan.

20. General Provisions.

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

20.2 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.

20.3 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 §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.

20.4 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.

20.5 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.

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

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

20.8 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 hereunder.

20.9 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.

20.10 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 the Conservation Easement or the Property, except that liability for acts or omissions occurring prior to transfer shall survive the transfer.

20.11 Attorneys' Fees. In the event that any 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 proceeding shall be entitled to recover from the other party reasonable attorneys' fees and all costs, expenses and disbursements that the prevailing party incurred in connection with such proceeding, 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). A party shall be deemed to have prevailed in any such action (without limiting the generality of the foregoing) if such action is dismissed upon the payment by the other party of the sums allegedly due or the performance of obligations allegedly not complied with, or if such party obtains substantially the relief sought by it in the action, irrespective of whether such action is prosecuted to judgment. The non-prevailing party shall also pay the attorneys' fees and costs incurred by the prevailing party in any post-judgment proceedings to collect and enforce the judgment. Any such fees and costs incurred prior to judgment, award, or decree may be included in any judgment, award or decree entered in such proceeding in favor of the prevailing party. Any such fees, costs and expenses incurred by the prevailing party in enforcing a judgment, award or decree in its favor shall be recoverable separately from and in addition to any other amount included in such judgment, award or decree. This provision is separate and several and shall survive the merger of this Easement into any judgment on this Easement.

20.12 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.

20.13 Pre-Existing Water Rights. In accordance with Section 12(e) of the Stipulation, this Easement does not impact the authority of third-party holders of water rights to exercise those rights.

20.14 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.

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

20.16 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>	Description of Hydro Project Activities and Hydroelectric Facilities and Associated Water Delivery Facilities
<u>Exhibit C</u>	Hydro Reserved Rights
<u>Exhibit D</u>	Beneficial Public Values
<u>Exhibit E</u>	Insurance Requirements
<u>Exhibit F</u>	Prohibited Uses
<u>Exhibit G</u>	Hydro Operating Zone(s)
<u>Exhibit H</u>	Express Third Party Uses and Third Party Use Agreements
<u>Exhibit I</u>	Expressly Permitted Uses

20.17 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:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____

Its: _____

GRANTEE:

WESTERN SHASTA RESOURCE
CONSERVATION DISTRICT,
a California special district

By: _____

Its: _____

Appendix 2: Conservation Easement

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

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

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

State of California)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

EXHIBIT A

Legal Description of Property

[Follows this page]

EXHIBIT B

Description of Hydro Project Activities
and
Hydroelectric Facilities and Associated Water Delivery Facilities

As used in this Easement, "**Hydro Project Activities**" are those existing and future uses of the Property, and the existing and future Hydroelectric Facilities and Associated Water Delivery Facilities (as defined below) now or hereafter located on, above, or under the Property, associated with the operation of the Battle Creek FERC Project (FERC Project No. 1121). The Project which consists of five powerhouses (Volta, Volta 2, South, Inskip, and Coleman), two small upstream storage reservoirs (North Battle Creek and Macumber), three forebays (Grace, Nora, and Coleman), five diversions on North Fork Battle Creek (Keswick, Al Smith, North Battle Creek Feeder, Eagle Canyon, and Wildcat), three diversions on South Fork Battle Creek (South, Inskip, and Coleman), numerous tributary and spring diversions, and a network of some 16 canals, ditches, flumes, tunnels, and pipelines. The Project provides water storage and delivery for Hydroelectric Facilities and shall include any future uses of the Property, and the existing and future Hydroelectric Facilities and Associated Water Delivery Facilities now or hereafter located on, above, or under the Property, associated with compliance with any future FERC License, FERC License renewal or other regulatory requirements.

As used in this Easement, "**Hydroelectric Facilities and Associated Water Delivery Facilities**" are those existing and future facilities, structures, buildings, and improvements now or hereafter located on, above, or under the Property, and associated with the operation of the Battle Creek FERC Project (FERC Project No. 1121), including, but not limited to, the following existing and future improvements: powerhouses, helipads, penstocks, flumes, canals, electric transmission lines, and electric distribution lines and associated infrastructure facilities; facilities necessary for the operation of powerhouses; improvements for existing and future water delivery and other requirements of power generation, transmission, distribution, and storage, for nonconsumptive and consumptive water use; gauging stations; bridges; electrical transmission lines, including distribution lines; and communications lines and facilities

EXHIBIT C

Hydro Reserved Rights

Grantor's reserved rights on the Property include the following, which are expressly excluded from the transfer and conveyance of the easement granted in this Easement and reserved to Grantor:

Subject to the provisions of Section 7, the right to conduct Hydro Project Activities on the Property, including construction, operation, repair, alteration, maintenance, removal, replacement and expansion of existing and future Hydroelectric Facilities and Associated Water Delivery Facilities, including project replacements and improvements required for existing and future water delivery and other requirements for power generation, transmission, distribution, and storage, for nonconsumptive and consumptive water, and for communications in connection with the foregoing and for compliance with any future FERC License, FERC License renewal or other regulatory requirements. In furtherance of and without in any way limiting the generality of the foregoing, the following rights are expressly reserved:

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

(2) The right to use, maintain, establish, construct, alter, expand and improve water sources, courses, and bodies within the Property, and to take, divert, store, convey and appropriate water; and

(3) The right to increase or otherwise modify water diversion, storage and transmission capacities of Hydroelectric Facilities and Associated Water Delivery Facilities; and

(4) The right to exercise: all riparian water rights inherent in and part and parcel of the Property; all appropriative surface water rights (including, but not limited to, any appropriative surface water rights having a point of diversion, place of storage, or place of use on the Property); all prescriptive surface water rights; and all other right, title and interest of any nature whatsoever in and to the surface waters which are now or hereafter located or flowing on, under or abutting the Property; and

(5) The right to decommission all or any portion of existing and future Hydroelectric Facilities and Water Delivery Facilities in accordance with the applicable license issued by the FERC, or as otherwise allowed by Applicable Law; and

(6) The right to enlarge, improve, reconstruct, relocate and replace said Grantor's existing facilities and additional facilities with any other number, size, or type of transformers, poles, towers, or structures, or underground wires, cables, pipelines and conduits, or other devices and equipment either in the original location or at any location or locations within the Property; and

(7) The right to construct, operate, use, repair, alter, maintain, remove, replace and expand Grantor's existing and future facilities for transformation, transmission and distribution of electric energy and for communication purposes and also the rights to reconstruct, replace, remove, maintain and use the same as Grantor shall at any time and from time to time deem necessary in Grantor's sole discretion exercised in good faith, together with the rights to excavate for, construct, install, repair, reconstruct, replace, remove, maintain and use, at any time and from time to time, additional facilities for the transformation, transmission and distribution of electric energy and for communication purposes, consisting of such devices and equipment with suitable concrete pads and adequate protection therefore necessary for transforming electric energy, one or more lines of underground wires and cables (enclosed at Grantor's option within conduits), and one or more lines of towers, poles and/or other structures, wires and cables, including both underground and overhead ground wires, and all necessary and proper foundations, footings, cross arms and other appliances and fixtures for use in connection with said towers, poles and/or other structures, wires and cables.

EXHIBIT D

Beneficial Public Values

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

- (a) Habitat for fish, wildlife, and plants that are native to the area, including species protected under the California Endangered Species Act and/or the federal Endangered Species Act. The term “habitat” includes vegetation along banks and shorelines that contribute to maintaining watershed health. The term “native” refers to plants and animals that occur naturally on the Property, and are defined as “native” by the California Department of Fish & Wildlife and its successors.
- (b) Forest resources on the Property. Forest resources consist of mid-elevation Sierra Nevada mixed conifer forest type and riparian vegetation that provide protection for wildlife and fisheries.
- (c) The scenic viewshed of the Property in keeping with the surrounding environment, providing a contiguous forested landscape visible to passersby on the nearby roads and highways.
- (d) Outdoor recreation in the form of passive recreational pursuits such as hiking, fishing and sightseeing.
- (e) Identified historical and cultural values, to the extent they are protected by state and federal law.

EXHIBIT E

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:

Pacific Gas and Electric Company
Insurance Department - B24H
Post Office Box 770000
San Francisco, CA 94177

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 F

Prohibited Uses

As provided in Section 6 of this Easement, Grantor will not engage in, or permit others to engage in, the following Prohibited Uses:

1. Number of Fee Owners; Subdivision.

(a) Limit on Number of Fee Owners. Except for Specified Required Actions, notwithstanding the fact that the Property, at any time, might be comprised of more than two (2) separate legal parcels, fee title to the Property shall be held by no more than two (2) separate owners at any given time, provided, however, that the foregoing shall not prohibit undivided ownership of the Property by multiple owners (e.g. tenants in common), subject to the restrictions on the rights of undivided owners provided below, and the terms and conditions of this Easement shall perpetually apply to the Property as a whole. The existence of any separate legal parcels shall not be interpreted to permit any use or activity on an individual legal parcel that would not have been permitted on said parcel under the terms and conditions of this Easement as applied to the Property as a whole. This section only applies to conveyances of fee ownership and not to conveyances of any property interests other than fee ownership (e.g. leasehold interests). In respect to ownership of the Property or permitted separate legal parcels, as the case may be, ownership may be (among others) in the form of a partnership, limited partnership, limited liability company, corporation or other legal entity or as undivided interests such as tenants in common, whether by choice or by operation of any Applicable Laws, but no owner of an undivided interest shall thereby have (i) the right of exclusive occupancy or exclusive use of any separate portion of the Property (or permitted separate legal parcel), or (ii) any right to have the Property (or permitted separate legal parcel), partitioned in kind, whether pursuant to California Code of Civil Procedure §872.010 et seq. ("**CCP**") or any successor statute or otherwise. In the event that a partition action is brought and a court determines that the remedy of partition must be granted, Grantor, on behalf of itself and its successors and assigns hereby irrevocably agrees the remedy shall not be a physical subdivision of the Property (or permitted separate legal parcel), but instead may be a partition by appraisal pursuant to CCP §873.910 or any successor statute or a judicially supervised sale of Grantor's entire estate in the Property (or permitted separate legal parcel) pursuant to CCP §873.510 or any successor statute, subject, however, to this Easement, followed by a division of sales proceeds among the parties entitled thereto. Grantor recognizes that Grantee will incur direct and indirect costs for monitoring and administration of the Conservation Easement in the event fee title to a portion of the Property is transferred under this provision. Accordingly, upon Grantor's sale, transfer or conveyance of fee title to less than all of the Property in accordance with this subsection (a), Grantor shall pay, or cause to be paid, to Grantee a one-time payment of a sum representing the increased cost of such Conservation Easement stewardship, as reasonably determined

at such time by Grantee. Such one-time payment shall be in addition to any reimbursements required pursuant to Section 13.2.4 or Section 17 of this Easement.

(b) Limit on Subdivision. Except for Specified Required Actions, Grantor shall not subdivide the Property with the result of frustrating the ownership restrictions set forth in subsection (a) above. For example, the following actions would not frustrate the ownership restrictions in subsection (a) above: (i) merger and reduction of the number of separate legal parcels comprising the Property; or (ii) reconfiguring by lot line adjustment the existing internal boundaries of legal parcels within the outer boundaries of the Property; or (iii) clarifying boundary lines with adjacent landowners; or (iv) subdivisions to facilitate Hydro Project Activities. Grantor shall (i) as part of the Annual Work Plan review in accordance with Section 7, or at least ninety (90) days prior to any Grantor subdivision activity (whether or not prohibited hereunder), furnish Grantee with the subdivision application or filings; and (ii) provide to Grantee reasonably sufficient information to identify the boundaries of each legal parcel. This information will become part of the Baseline Documentation Report. At the election of either party, the parties shall execute and record an amendment of this Easement to reflect any change to the legal description of the Property set forth in Exhibit A or any other changes and allocations resulting from permitted subdivision that are not established to the reasonable satisfaction of the parties by recordation in the Public Records of the plan of subdivision approved under Applicable Law.

2. Development Rights. Except for Specified Required Actions provided in Section 7, 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.

3. 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:

(a) Specified Required Actions provided in Section 7;

(b) Drilling, removal and extraction of soils, sands, gravel, loam, rocks or any other material on, under, or at the Property in connection with studies and testing to the extent related to Grantor's exercise of the Hydro Reserved Rights;

(c) Testing, drilling and operating groundwater wells, and construction or placement of any structures or improvements within the Hydro Operating Zone to the extent related to Grantor's exercise of the Hydro Reserved Rights; and

(d) The use of soil, sand, gravel and other similar material located on the Property as appropriate for road maintenance, erosion control and in connection with a Required Action 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.

4. Construction and Placement of Structures and Improvements. 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) Required Actions provided in Section 7;

(b) Permitted Uses under Exhibit I;

(c) Construction or placement of any structures or improvements within the Hydro Operating Zone which Grantor has determined relate to Grantor's exercise of the Hydro Reserved Rights; and

(d) Structures and 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, interpretive kiosks, and appropriately located and sized caretaker structure).

5. Vehicles. Except for Required Actions provided in Section 7, or 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.

6. Dumping or Salvage. Except for Required Actions provided in Section 7, 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, or (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. Except for Required Actions provided in Section 7, 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 outside of the Hydro Operating Zone. Except for Required Actions provided in Section 7, 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 outside of the Hydro Operating Zone.

7. Non-Native Animal Species. Except for Required Actions provided in Section 7, there shall be no release anywhere on the Property of non-native animal species other than livestock without Grantee's prior written approval in accordance with Section 7, as required.

8. Vegetation. Except for Required Actions provided in Section 7, 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 or (b) to prevent property damage, personal injury, or flooding or (c) as permitted in Exhibit I, Sections 4 and 9, or (d) with Grantee's prior written approval in accordance with Section 7, as required.

9. Roads and Trails. Except for Required Actions provided in Section 7 or as required to implement a Required Action, or in the case of an emergency or other occurrence affecting the safety of persons and/or property, 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 in accordance with Section 7, as required. 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.

10. Commercial Uses. There shall be no office, industrial, or other commercial use on the Property that is likely to significantly impair Beneficial Public Values. Notwithstanding the foregoing, the following shall not be Prohibited Uses:

- (a) Required Actions provided in Section 7;
- (b) Uses permitted by Third Party Use Agreements; and
- (c) Office, industrial, or other commercial uses within the Hydro Operating Zone which Grantor has determined relate to Grantor's exercise of the Hydro Reserved Rights.

11. Alteration of Land or Excavation. Except for Required Actions provided in Section 7 or as otherwise explicitly permitted by the terms of this Easement, there shall be no filling, excavating, grading, draining or dredging outside of the Hydro Operating Zone, nor any change in the general topography of the Property; provided, however,

such activities shall be permitted outside of the Hydro Operating Zone in the course of prudent and customary land management activities and/or to protect, preserve, or enhance the Beneficial Public Values.

12. Billboards. Except for Required Actions provided in Section 7 or permitted uses under Exhibit I or Grantee's signs permitted under Section 5.3, 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 G

Hydro Operating Zone

[Follows this page]

EXHIBIT H**Express Third Party Uses and Third Party Use Agreements****1. Express Third Party Uses**

The Express Third Party Uses on the Property are all uses permitted by and pursuant to the Third Party Use Agreements.

2. Third Party Use Agreements

The Third Party Use Agreements on the Property are the following:

a.	Lease Agreement dated January 28, 1977 between Grantor and Camp McCumber Corporation, a California Non-Profit Corporation, as amended by the following: letter agreements dated January 28, 1977, July 30, 2003, March 16, 2004, and December 23, 2004, an Amended and Restated Ground Lease McCumber Reservoir dated December 12, 2006, a Second Amendment to Lease Agreement dated January 1, 2010, and a Third Amendment to Lease Agreement dated January 1, 2014. [Note: amendment currently under negotiation.]
b.	Lease Agreement, dated May 11, 1987, between Grantor and Mt. Lassen Trout Farm, Inc., as amended by a letter dated May 19, 1995, and by a First Amendment to Lease Agreement dated November 1, 2006, a Second Amendment to Lease Agreement dated June 1, 2010, and a Third Amendment to Lease Agreement dated January 1, 2014. [Note: amendment currently under negotiation.]
c.	AN EASEMENT OVER SAID LAND FOR RIGHT OF WAY AND INCIDENTAL PURPOSES, AS GRANTED TO T.B. ARMSTRONG, IN DEED RECORDED AUGUST 10, 1898, IN BOOK 100 OF DEEDS AT PAGE 160, SHASTA COUNTY RECORDS. AFFECTS: ROUTE NOT CLEARLY DEFINED PGE#2131-02-0037 NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.
d.	AN EASEMENT OVER SAID LAND FOR COUNTY ROAD AND INCIDENTAL PURPOSES, AS GRANTED TO COUNTY OF SHASTA, IN DEED RECORDED DECEMBER 15, 1899, IN BOOK 56 OF DEEDS AT PAGE 357 SHASTA COUNTY RECORDS. AFFECTS: A.P.N. 703-250-06, 27 AND 30 PGE# NOT SHOWN

	NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.
e.	<p>AN EASEMENT OVER SAID LAND FOR COUNTY ROAD AND INCIDENTAL PURPOSES, AS GRANTED TO COUNTY OF SHASTA, IN DEED RECORDED DECEMBER 15, 1899, IN BOOK 56 OF DEEDS AT PAGE 367 SHASTA COUNTY RECORDS.</p> <p>AFFECTS: A.P.N. 703-250-26, 27 AND 30</p> <p>PGE# NOT SHOWN</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p>
f.	<p>AN EASEMENT OVER SAID LAND FOR A DITCH AND INCIDENTAL PURPOSES, AS GRANTED TO A.W. SMITH, IN DEED RECORDED NOVEMBER 10, 1900, IN BOOK 58 OF DEEDS AT PAGE 614 SHASTA COUNTY RECORDS.</p> <p>AFFECTS: A.P.N. 703-160-02 AND PORTION APN 703-160-01</p> <p>PGE# NOT SHOWN</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p>
g.	<p>AN EASEMENT OVER SAID LAND FOR RIGHT OF WAY FOR A WAGON ROAD AND INCIDENTAL PURPOSES, AS GRANTED TO J. HENRY MEYER, IN DEED RECORDED JULY 11, 1911, IN BOOK 111 OF DEEDS PAGE 206 SHASTA COUNTY RECORDS.</p> <p>AFFECTS: A.P.N. 703-160-02</p> <p>PGE# 2130-01-0082</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p>
h.	<p>AN EASEMENT OVER SAID LAND FOR KESWICK DITCH AND INCIDENTAL PURPOSES, AS GRANTED TO J. HENRY MEYER, IN DEED RECORDED JULY 11, 1911, IN BOOK 111 OF DEEDS PAGE 208 SHASTA COUNTY RECORDS.</p> <p>AFFECTS: A.P.N. 703-160-02</p> <p>PGE# 2130-01-0081</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p>
i.	<p>AN EASEMENT OVER SAID LAND FOR PUBLIC HIGHWAY 100 FEET WIDE AND INCIDENTAL PURPOSES, AS GRANTED TO COUNTY OF SHASTA, IN DEED RECORDED SEPTEMBER 23, 1931, IN BOOK 1 OF RIGHTS OF WAY AT PAGE 296 SHASTA COUNTY RECORDS</p>

	<p>AFFECTS: A.P.N. 96-320-07</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p> <p>SAID INSTRUMENT FURTHER CONTAINS A WAIVER IN FAVOR OF THE COUNTY OF SHASTA OF ANY CLAIMS FOR DAMAGES TO SAID LAND BY REASON OF THE LOCATION, CONSTRUCTION, LANDSCAPING OR MAINTENANCE OF SAID STREET FOR HIGHWAY</p>
j.	<p>AN EASEMENT OVER SAID LAND FOR PUBLIC HIGHWAY, 400 FEET WIDE AND INCIDENTAL PURPOSES, AS GRANTED TO STATE OF CALIFORNIA, IN DEED RECORDED JANUARY 29, 1937, IN BOOK 64 PAGE 361 SHASTA COUNTY RECORDS.</p> <p>AFFECTS: A.P.N. 95-180-08 AND 96-320-07</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p> <p>SAID INSTRUMENT FURTHER CONTAINS A WAIVER IN FAVOR OF STATE OF CALIFORNIA OF ANY CLAIMS FOR DAMAGES TO SAID LAND BY REASON OF THE LOCATION, CONSTRUCTION, LANDSCAPING OR MAINTENANCE OF SAID STREET OR HIGHWAY.</p>
k.	<p>AN EASEMENT OVER SAID LAND FOR THE PURPOSE OF ENABLING STATE TO MAINTAIN AND BEAUTIFY THE PUBLIC HIGHWAY APPROACH TO MT. LASSEN AND INCIDENTAL PURPOSES, AS GRANTED TO STATE OF CALIFORNIA, IN INSTRUMENT RECORDED MAY 25, 1937, IN BOOK 126, PAGE 59, OFFICIAL RECORDS.</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p> <p>REFERENCE IS MADE TO SAID DOCUMENT FOR FULL PARTICULARS.</p>
l.	<p>AN EASEMENT OVER SAID LAND TO ERECT, MAINTAIN, REPLACE, REMOVE AND USE A LINE OF POLES WITH ALL NECESSARY AND PROPER CROSSARMS, BRACES, ANCHORS, GUYS AND OTHER APPLIANCES AND FIXTURES FOR USE IN CONNECTION THEREWITH, AND TO SUSPEND THEREFROM, MAINTAIN AND USE SUCH WIRES FOR COMMUNICATION PURPOSES AND INCIDENTAL PURPOSES, AS GRANTED TO CITIZENS UTILITIES COMPANY OF CALIFORNIA, A CORPORATION, IN DEED DATED FEBRUARY 27, 1962, AS DISCLOSED BY INFORMATION PROVIDED TO THIS COMPANY.</p> <p>AFFECTS: A.P.N. 703-250-30 AND 27</p> <p>PGE#2130-01-0065</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p>
m.	<p>AN EASEMENT OVER SAID LAND TO USE A STRIP OF LAND AND INCIDENTAL PURPOSES, AS GRANTED TO GREGG LAWRENCE ZEHNLE, ET UX, IN DEED RECORDED DECEMBER 17,</p>

	<p>1965, IN BOOK 863 PAGE 268 SHASTA COUNTY RECORDS.</p> <p>AFFECTS: A.P.N. 703-090-02</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p>
n.	<p>AN EASEMENT OVER SAID LAND TO CONSTRUCT, MAINTAIN AND USE A ROAD AND INCIDENTAL PURPOSES, AS GRANTED TO VIOLA LUMBER COMPANY, IN DEED RECORDED NOVEMBER 15, 1966, IN BOOK 900 PAGE 306 SHASTA COUNTY, OFFICIAL RECORDS.</p> <p>AFFECTS: A.P.N. 701-330-19</p> <p>PGE#2130-02-0056</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p> <p>THE TERMS, CONDITIONS AND PROVISIONS AS CONTAINED IN THE INSTRUMENT ENTITLED "RELOCATION AGREEMENT", BY AND BETWEEN PACIFIC GAS AND ELECTRIC COMPANY , A CALIFORNIA CORPORATION, AND ROBERT D. WARNER AND SONJA I. WARNER , HUSBAND AND WIFE AND JOHN CLARY AND LINDA CLARY , HUSBAND AND WIFE, RECORDED DECEMBER 15, 1980, IN BOOK 1776 PAGE 523 SHASTA COUNTY, OFFICIAL RECORDS.</p> <p>AFFECTS A.P.N. 701-330-19</p> <p>PGE# 2131-02-0211</p>
o.	<p>AN EASEMENT OVER SAID LAND FOR COMMUNICATION AND INCIDENTAL PURPOSES, AS GRANTED TO TUOLUMNE TELEPHONE CO., A CORPORATION, IN INSTRUMENT RECORDED DECEMBER 16, 1968, IN BOOK 975, PAGE 603, OFFICIAL RECORDS.</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p> <p>REFERENCE IS MADE TO SAID DOCUMENT FOR FULL PARTICULARS.</p>
p.	<p>AN EASEMENT OVER SAID LAND TO ERECT, CONSTRUCT, RECONSTRUCT, REPLACE, REMOVE, MAINTAIN AND USE A LINE OF POLES FOR THE TRANSMISSION OF ELECTRIC ENERGY AND FOR COMMUNICATION PURPOSES AND INCIDENTAL PURPOSES, AS GRANTED TO CONSOLIDATED HYDROELECTRIC INC., A CORPORATION, IN DEED RECORDED AUGUST 05, 1982, IN BOOK 1953 PAGE 428 SHASTA COUNTY , OFFICIAL RECORDS.</p> <p>AFFECTS: A.P.N. 703-250-30, 703-320-16</p> <p>PGE# 2130-01-0365</p>

	NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.
q.	<p>AN EASEMENT OVER SAID LAND TO EXCAVATE FOR, INSTALL, REPLACE, MAINTAIN AND USE UNDERGROUND WIRES AND CABLES FOR COMMUNICATION PURPOSES AND INCIDENTAL PURPOSES, AS GRANTED TO TUOLUMNE TELEPHONE CO., A CORPORATION, IN DEED RECORDED APRIL 17, 1984, IN BOOK 2054 PAGE 318 SHASTA COUNTY, OFFICIAL RECORDS.</p> <p>AFFECTS: MULTIPLE PARCELS AND APN'S</p> <p>PGE# 2133-01-0102</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p>
r.	<p>AN EASEMENT OVER SAID LAND FOR ROAD AND INCIDENTAL PURPOSES, AS GRANTED TO UNITED STATES OF AMERICA, IN DEED RECORDED SEPTEMBER 12, 1984, IN BOOK 2092 PAGE 114 SHASTA COUNTY, OFFICIAL RECORDS.</p> <p>AFFECTS: A.P.N. 34-350-07 AND 34-370-03</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p>
s.	<p>AN EASEMENT OVER SAID LAND FOR THE RIGHT TO CONSTRUCT, RECONSTRUCT, MAINTAIN, AND USE SUCH POLES, AERIAL WIRES AND CABLES AND INCIDENTAL PURPOSES, AS GRANTED TO HIGHLAND HYDRO CONSTRUCTION, INC., IN DEED RECORDED NOVEMBER 27, 1989, IN BOOK 2541 PAGE 160 SHASTA COUNTY, OFFICIAL RECORDS.</p> <p>AFFECTS: A.P.N. 703-250-30 PORTION AND 703-320-16</p> <p>PGE# 2130-01-0389</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT.</p>
t.	<p>AN EASEMENT OVER SAID LAND FOR A 20 FOOT WIDE NON-EXCLUSIVE RIGHT OF WAY FOR THE PURPOSE OF INGRESS TO AND EGRESS FROM AND INCIDENTAL PURPOSES, AS GRANTED TO ANN MCKEEVER HATCH, TRUSTEE OF THE HATCH 1967 REVOCABLE TRUST, ET AL, IN INSTRUMENT RECORDED JUNE 29, 1999, IN INSTRUMENT NO. 1999-0025760, OFFICIAL RECORDS.</p> <p>NO REPRESENTATION IS MADE AS TO THE CURRENT OWNERSHIP OF SAID EASEMENT. REFERENCE IS MADE TO SAID DOCUMENT FOR FULL PARTICULARS.</p>

u.	<p>PERMIT TO INSTALL A NON-CONVENTIONAL SEWAGE DISPOSAL SYSTEM #1761 AND COVENANT TO PAY COST OF INSPECTION, MAINTENANCE, AND REPAIR ASSESSOR'S PARCEL NO. 701-330-019, RECORDED OCTOBER 6, 2016, AS INSTRUMENT NO. 2016-0030060, OFFICIAL RECORDS.</p> <p>SUBJECT TO THE TERMS AND CONDITIONS THEREIN.</p> <p>AFFECTS: APN: 701-330-019</p>
----	--

EXHIBIT I

Permitted Uses

The following are Permitted Uses:

1. The Express Third Party Uses.
2. The uses and activities expressly permitted under Exhibit F.
3. Except as otherwise limited by this Easement, the right to sell, encumber, or otherwise transfer the Property, portions thereof, or interests therein, to anyone Grantor chooses.
4. The right to trim and cut down and clear away any and all trees, brush and vegetation (a) which constitute a hazard to persons or property, and/or (b) for purposes of fire management, disease or insect control or otherwise as necessary or appropriate for prudent land management (i.e., not motivated by commercial benefit), and/or (c) for other vegetation management operations, including but not limited to fuel reduction projects, thinning of tree stands and meadow restoration projects. The foregoing may include pesticide use to control vegetation (brush, grass, weeds, etc.) and/or insects.
5. Consistent with Section 9.2, the right to install, maintain, repair, replace and maintain gates and fences.
6. The right to perform all activities required to comply with any and all Applicable Laws.
7. The right to maintain, repair, restore, replace and reconstruct all structures and improvements now or hereafter located on the Property, provided any replacement structures or improvements shall be located in substantially the same location and within the same footprint as the structure or improvement being replaced, and shall be substantially the same height as the structure or improvement being replaced.
8. The right to install minor, temporary structures necessary or appropriate in connection with the performance of prudent and customary land management activities, Hydro Project Activities, or the protection, preservation, or enhancement of the Beneficial Public Values.
9. (a) The right to undertake commercial and/or non-commercial forest management activities on the Property for any of the following purposes: (1) to promote the health and sustainability of the Property's natural resources; (2) to protect and enhance the Property's riparian resources; (3) to maintain an ecologically appropriate species mix of overstory and understory vegetation; (4) to protect and enhance wildlife habitat for native species historically present on the Property; (5) to protect cultural resources on the Property; (6) to control invasive and non-native vegetation; and (7) to

prevent, mitigate, and/or respond to any natural disaster (such as wildfire, significant insect and disease outbreak, or significant wind damage).

(b) Forest management activities for the purposes outlined in Paragraph (a) may include, but shall not be limited to, timber harvesting; salvage logging; conversion of vegetation types; prescribed fire; pre-commercial and commercial thinning of conifer and hardwood trees; fuels management; tree planting; control of undesirable vegetation and pests; habitat maintenance and enhancement; and road and watercourse crossing construction, maintenance, repair, and enhancement. Grantor shall carry out all such forest management activities in compliance with Applicable Law.

(c) Grantor shall provide to Grantee any existing or future forest management plan as part of the Annual Work Plan review process pursuant to Section 7.3 of this Easement. Grantor and Grantee shall review and discuss such plan (along with any proposals Grantee may have regarding this Permitted Use by Grantor pursuant to Section 7.3.4(b) of this Easement) periodically as part of such Annual Work Plan review process. Said forest management plan shall be updated periodically, as appropriate.

10. The right to construct, reconstruct, replace, remove, maintain and use the types of facilities and improvements described in paragraph (7) of Exhibit C that are unrelated to Hydro Project Activities and do not constitute a Required Action provided that such facilities shall be subject to Grantee's approval in the manner provided for Discretionary Actions.

11. In accordance with Applicable Laws, the right to control or eliminate noxious weeds and non-native plant species on the Property, and the right to control animals that (a) pose or threaten to pose a hazard to persons or property, including Hydroelectric Facilities and Associated Water Delivery Facilities, or (b) adversely impact or threaten to adversely impact (i) one or more of the Beneficial Public Values, (ii) Grantor's Hydro Reserved Rights or Hydro Project Activities, (iii) the Hydroelectric Facilities and Associated Water Delivery Facilities, or (iv) an Express Third Party Use.

12. The right to erect reasonably sized signs (illuminated and non-illuminated) to support and manage safety and permitted uses of the Property, including signs regarding authorized and unauthorized entry and uses or other appropriate markers in prominent locations on the Property, such as boundary fences, trails, and access roads.



**Conservation Easement Funding Agreement
Battle Creek Planning Unit
PG&E Retained Lands**

This Conservation Easement Funding Agreement ("**Agreement**") is entered into as of the Effective Date (defined below) by and between the Pacific Forest and Watershed Lands Stewardship Council, a California nonprofit public benefit corporation (the "**Stewardship Council**"), Friends of the Western Shasta Resource Conservation District, a California nonprofit public benefit corporation doing business as The Shasta Conservation Fund ("**Fund**"), and Western Shasta Resource Conservation District, a special district of the State of California ("**WSRCD**") (hereafter, Fund and WSRCD are sometimes individually referred to herein as "**Grantee**" and collectively referred to herein as "**Grantees**"). Stewardship Council, Fund, and WSRCD are hereafter referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

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 Agreement (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. The Fund is a publicly-supported, tax exempt nonprofit organization, qualified under Section 501(c)(3) of the Internal Revenue Code ("**IRC**") whose charitable purpose is to hold and manage the conservation easement endowment corpus. In performing its charitable purpose, the Fund holds, manages, and disburses conservation easement endowments assembled by WSRCD in support of conservation easements held by WSRCD. The Fund agrees to abide by all of its financial policies in **Exhibit C** as provided to the Stewardship Council.

D. WSRCD is a special district created under the laws of the State of California whose charitable purpose is to collaborate with willing landowners, government agencies and other organizations to facilitate the conservation or restoration of western Shasta County's natural resources. WSRCD is eligible to hold a conservation easement pursuant to California Civil Code Section 815.3.

E. In connection with the Land Conservation Commitment, WSRCD has agreed to accept and hold a perpetual conservation easement created pursuant to California Civil Code Section 815 *et seq.* (the "**Conservation Easement**") over a portion



of the PG&E Watershed Lands that is being retained by PG&E and consists of approximately 1,727 acres of real property located in the County of Shasta (“**County**”), State of California, as shown on the map in **Exhibit A** attached hereto and incorporated herein by reference (the “**Property**”).

F. In consideration of WSRCD’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 the Fund that will support WSRCD’s holding, stewarding, monitoring, defending and enforcing the Conservation Easement, in the amounts and subject to the terms and conditions described below.

AGREEMENTS

NOW, THEREFORE, in consideration for the mutual promises made herein and other good and valuable consideration, the Parties agree as follows:

1. **Effective Date**. This Agreement shall become effective upon the recording of the Conservation Easement in the Official Records of the 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, 2023, this Agreement shall be of no further force or effect, and the Parties shall thereupon be released from any obligations under this Agreement.

2. **Delivery and Use of Grant Funds**. The Stewardship Council shall deliver to the Fund, within thirty (30) days following the Effective Date, grant funds in the amount of **Two Hundred Thousand Dollars (\$200,000)** (the “**Grant Funds**”) for the Fund to manage, account for, and release to WSRCD, solely for the following purposes and in accordance with Sections 3 and 5 below:

a. One Hundred Ninety Thousand Dollars (\$190,000) of the Grant Funds to support costs incurred by WSRCD in connection with its holding, stewarding, and monitoring of the Conservation Easement, in accordance with Sections 4 and 5 below (the “**Monitoring Funds**”).

b. Ten Thousand Dollars (\$10,000) of the Grant Funds to support costs incurred by WSRCD in connection with its defense and enforcement of the Conservation Easement, in accordance with Sections 4 and 5 below (the “**Defense and Enforcement Funds**”).

Grantees 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 Grantees fail to comply with the terms and conditions of this Agreement.

3. **Management of Grant Funds**. Following receipt of the Grant Funds, the Fund shall manage, invest, administer, and release the Grant Funds in accordance with the following:

a. The Fund may “pool” the Grant Funds with other funds managed by the Fund for investment purposes, but shall account for the Grant Funds



separately and release the Grant Funds, and earnings thereon, only to WSRCD to cover its costs incurred in meeting its Conservation Easement stewardship, monitoring, defense, and enforcement obligations described in Sections 4 and 5 below.

b. Within thirty (30) days of receipt of Grant Funds, the Fund 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 WSRCD, 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 WSRCD, including but not limited to the Conservation Easement on the Property. The requirement to provide evidence of deposit will be satisfied when the Fund submits to the Stewardship Council the form attached as **Exhibit B**.

4. **Conservation Easement Monitoring.** From and after the Effective Date, WSRCD shall conduct regular compliance monitoring of the Property to ensure compliance with the terms of the Conservation Easement. WSRCD 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 that relates to terms of the Conservation Easement. Upon written request, the Stewardship Council or its designee shall be permitted to accompany WSRCD on its monitoring visits and to receive a copy of any monitoring report prepared by WSRCD.

5. **Permissible Use of Grant Funds.**

a. **Monitoring Funds.** The Fund shall release Monitoring Funds to WSRCD to cover the following permissible costs incurred by WSRCD in connection with its administration, stewardship, and monitoring of the Conservation Easement:

- i. Regular on-site inspection and monitoring to ensure that the terms of Conservation Easement are being met;
- ii. Recordkeeping and preparation of reports, notices of violation, any written consent to be submitted to the fee title owner of the Property, and other documentation related to the Conservation Easement and the Property;
- iii. Communications with the fee title owner of the Property regarding the provisions of the Conservation Easement and planned or completed activities on the Property to be performed or allowed by the fee title owner or a licensee/lessee; and
- iv. 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.

b. Defense and Enforcement Funds. The Fund shall release Defense and Enforcement Funds to WSRCD to cover the following permissible costs incurred by WSRCD in connection with its defense and enforcement of the Conservation Easement:

- i. 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; and
- ii. To pay premiums into Terrafirma RRG LLC, a conservation easement defense insurance program created by the Land Trust Alliance, or other nationally-recognized conservation organization of which WSRCD is a member that supports conservation easement holders' enforcement and defense of conservation easements held by member organizations, or to cover deductibles related to such insurance.
- iii. The Fund may "pool" funds for legal expenses to enforce and/or defend against legal challenges to the conservation easements held by WSRCD, including and without limitation the Conservation Easement on this property.

6. Grant Reporting.

a. WSRCD. WSRCD shall submit to the Stewardship Council and/or its designee the following Conservation Easement status reports ("**Status Reports**") pursuant to this Agreement. The initial Status Report shall be submitted to the Stewardship Council by the fourth quarter of the 2024 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, 2025. 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 WSRCD. The Stewardship Council or its designee shall notify WSRCD in a timely manner of the form and content of each Status Report, which shall include, at a minimum:

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



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

b. Fund. The Fund shall submit to the Stewardship Council and/or its designee financial reporting for the Grant Funds ("**Financial Report**") pursuant to this Agreement. The Stewardship Council or its designee shall notify the Fund in a timely manner of the form and content of each Financial Report, which shall include, at a minimum: (i) the balance of the Monitoring Funds and the Defense and Enforcement Funds as of the date of the Financial Report; (ii) a description of how the Grant Funds have been invested during the reporting period, together with earnings or losses thereon; and (iii) an itemization of costs and expenses incurred by WSRCD that have been reimbursed by the Grant Funds during the reporting period. The Financial Reports will be due to the Stewardship Council or its designee at the same time as the initial and final Status Reports are due from WSRCD, as set forth in Section 6(a) above.

7. Records. The Fund shall account for the Grant Funds separately on its books of account, and maintain such records in accordance with generally accepted accounting principles. WSRCD shall maintain written records for the Conservation Easement, 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 each Grantee and evaluate the 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 Grantees' 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. WSRCD 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 WSRCD assigns its interest under the Conservation Easement to a successor conservation easement holder ("**Assignee**"), the Fund, as holder of the Grant Funds, shall transfer all remaining Grant Funds in its possession to the Assignee promptly upon the transfer of the Conservation Easement to Assignee. The transfer of Grant Funds to Assignee under this Agreement shall be accompanied by a written confirmation by Assignee that it will assume all of WSRCD's and the Fund's duties and obligations under this Agreement.



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

11. Representations, Warranties. Grantees make the following representations, warranties, and covenants to Stewardship Council:

a. Fund. The Fund warrants and represents that it is a tax exempt organization under Section 501(c)(3) of the IRC, and is neither a private foundation as defined in section 509(a) of the IRC nor an exempt operating foundation described in Section 4940(d)(2) of the IRC.

b. WSRCD. WSRCD warrants and represents that it is a public entity and legal subdivision of the State of California.

c. Grantees.

- i. Each Grantee represents, warrants, and covenants the following: (i) neither Grantee shall 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; (ii) no part of the Grant Funds shall be used to attempt to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive; (iii) no part of the Grant Funds shall be used for purposes other than charitable, scientific, literary, or educational purposes within the meaning of IRC Section 501(c)(3).
- ii. Neither Grantee knowingly employs individuals or contributes 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, such Grantee will notify the Stewardship Council within 7 days of any such change.

12. Indemnification. Grantees shall 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 the Grantees.

13. Limit of Stewardship Council Obligations. The Stewardship Council's obligations to provide funding for the stewardship, monitoring, administration, defense



and/or enforcement of the Conservation Easement 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 either 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 all 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.

[Signature page follows:]



IN WITNESS WHEREOF, the Parties hereby execute this Agreement as of the Effective Date.

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

By: _____

Title: Erin Healy, Executive Director

Date: _____

Friends of the Western Shasta Resource Conservation District,
a California Nonprofit Public Benefit Corporation doing business as
The Shasta Conservation Fund

By: _____

Title: _____

Date: _____

Western Shasta Resource Conservation District
a Special District of the State of California

By: _____

Title: _____

Date: _____

Exhibit A
Maps of Battle Creek Planning Unit (1 of 4)

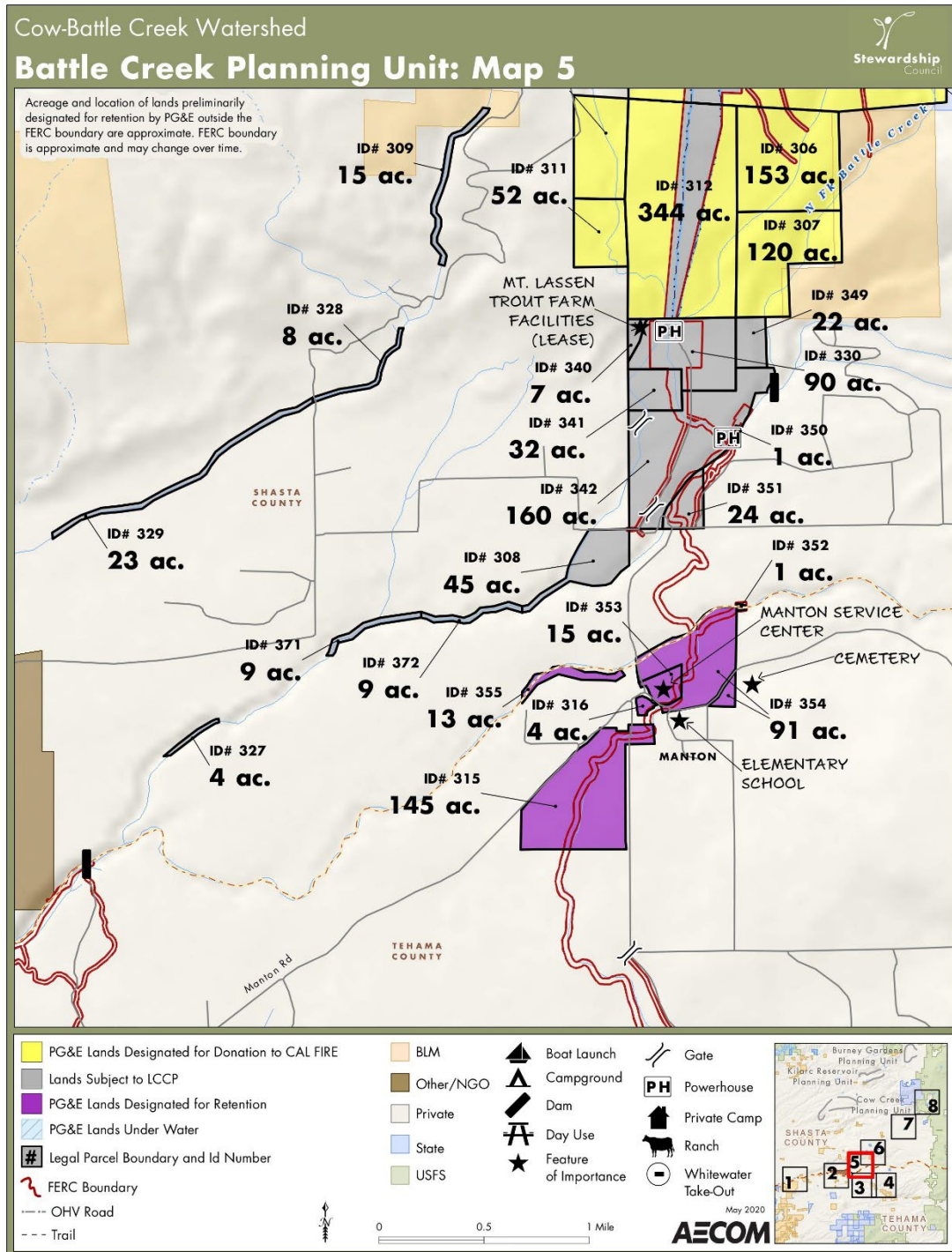


Exhibit A
Maps of Battle Creek Planning Unit (2 of 4)

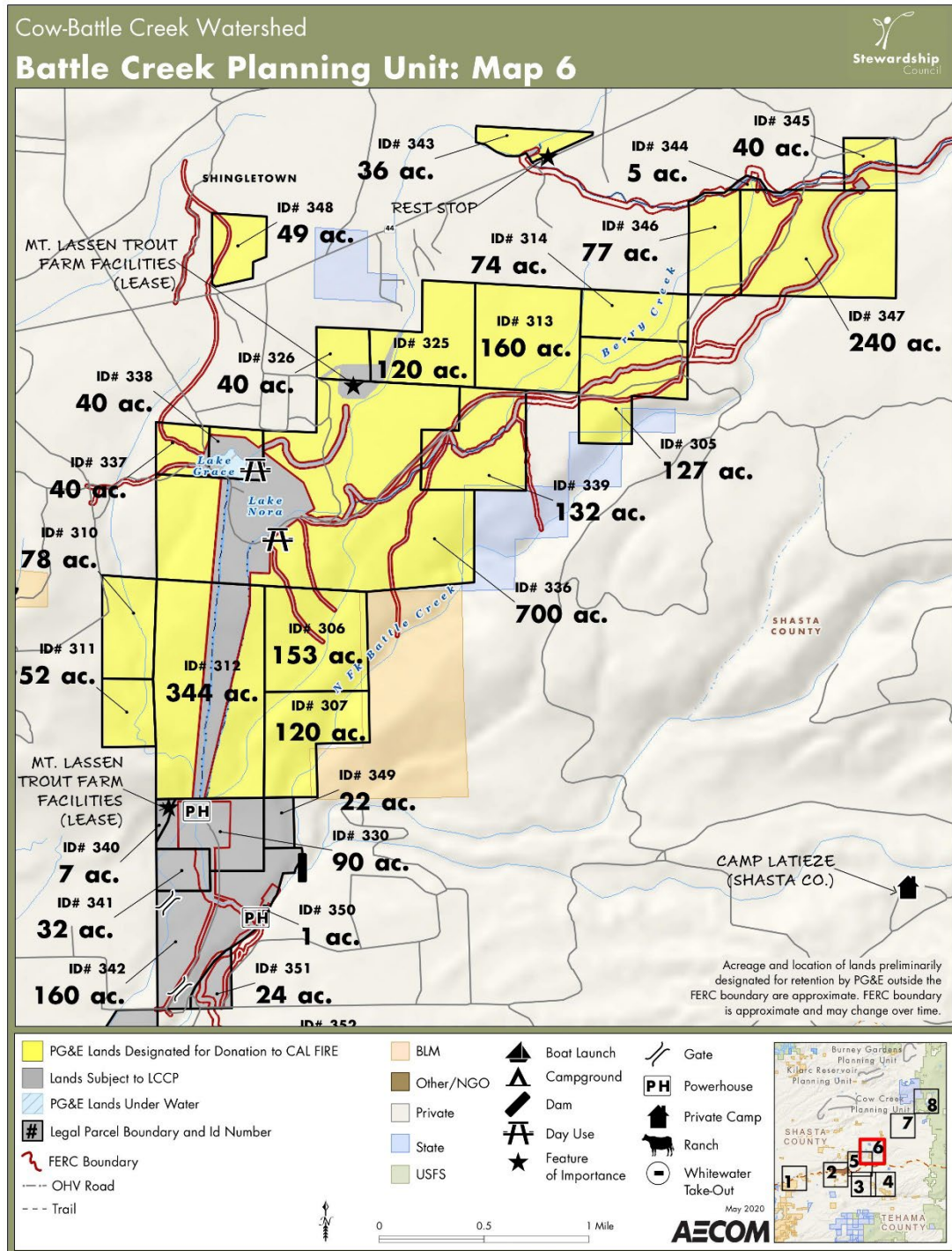


Exhibit A
Maps of Battle Creek Planning Unit (3 of 4)

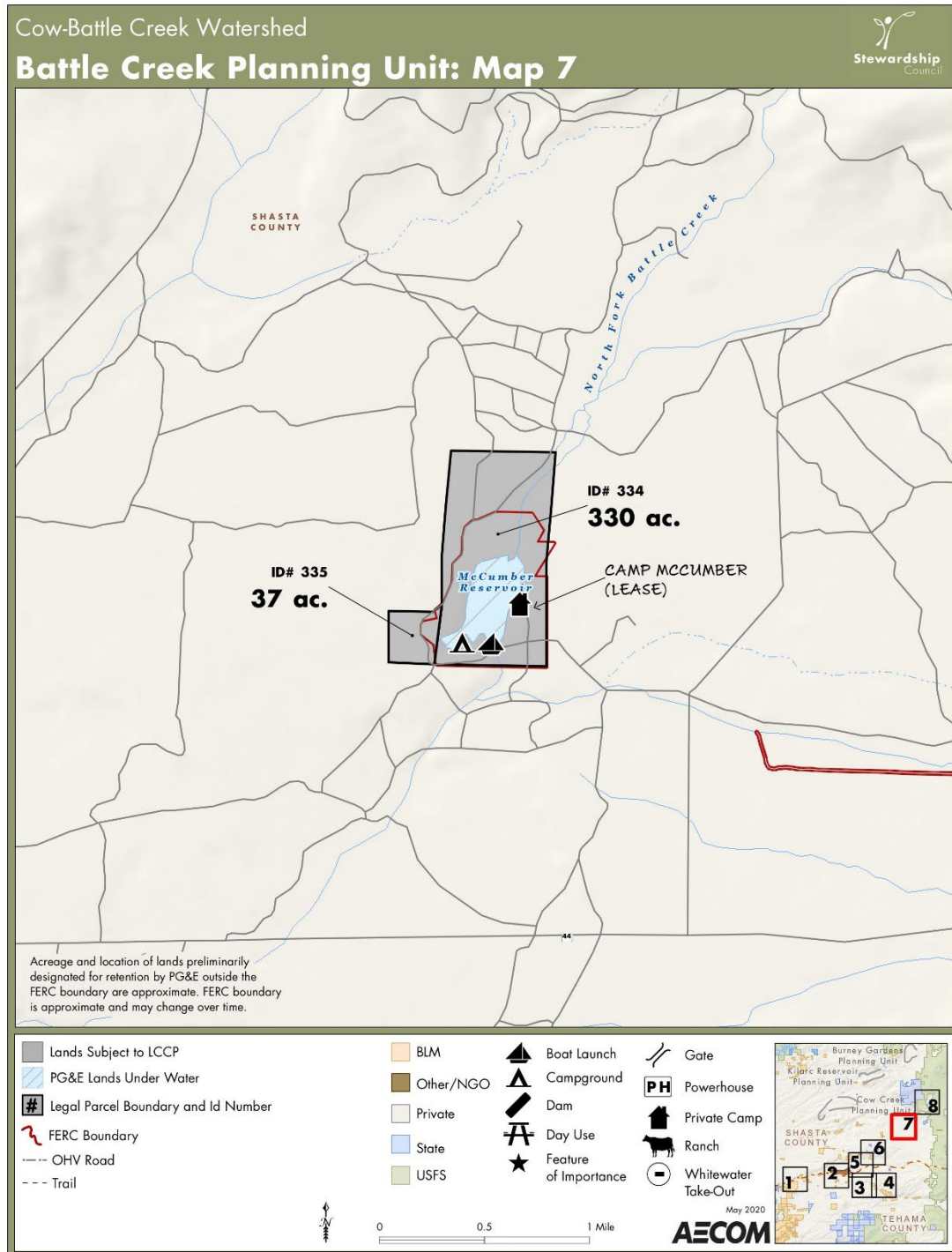
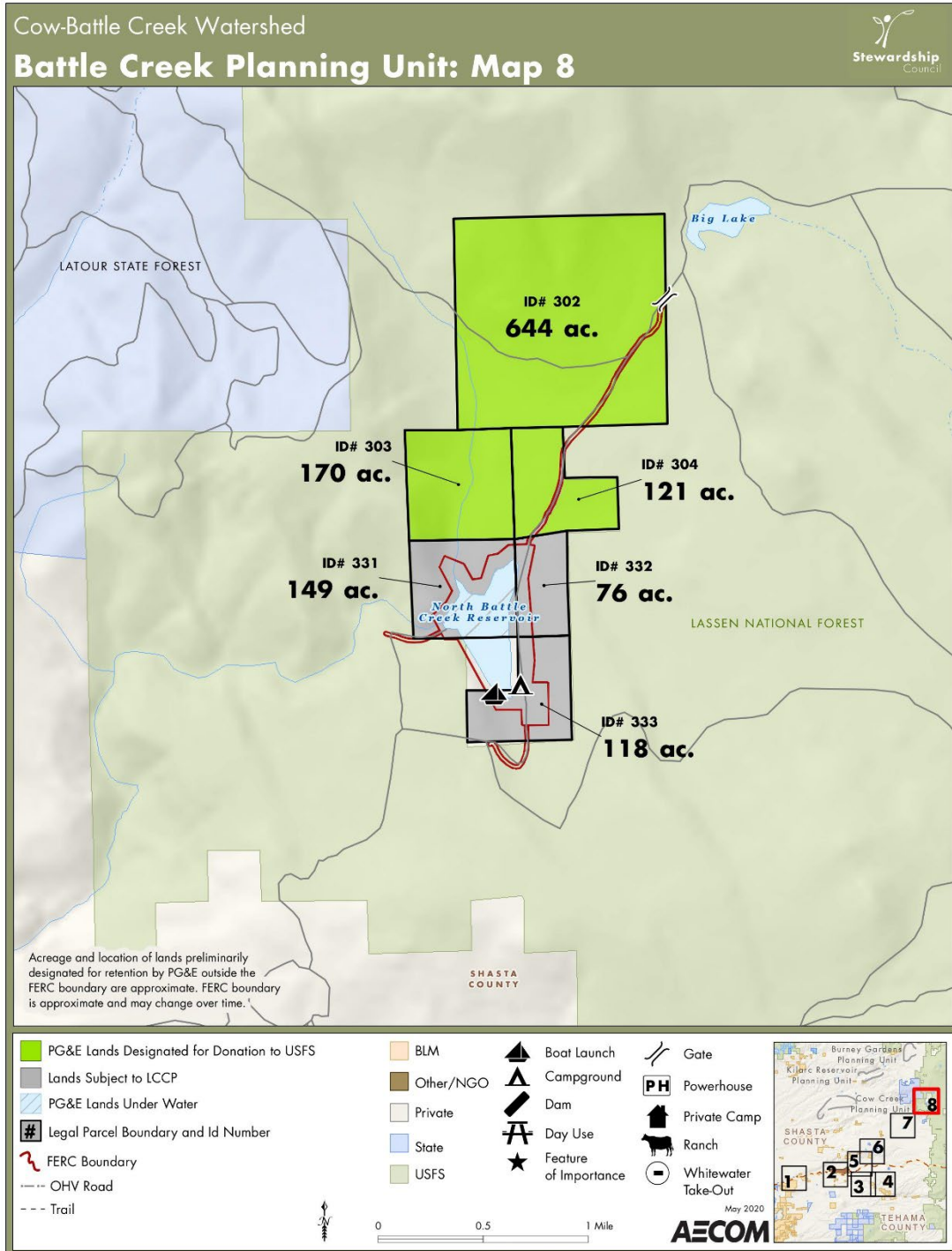


Exhibit A
Maps of Battle Creek Planning Unit (4 of 4)



**EXHIBIT B TO CONSERVATION EASEMENT FUNDING AGREEMENT**

Evidence of Grant Fund Deposit and Restriction of Use Certification	
Date:	Planning Unit/Property Title: Battle Creek (retained lands)
Grantee's Name: Western Shasta Resource Conservation District, doing business as The Shasta Conservation Fund	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 incurred by the Western Shasta Resource Conservation District, as the holder of the conservation easement covering this Battle Creek planning unit, as set forth in Sections 2, 3, 4, and 5 of the Conservation Easement Funding Agreement.					
Name:			Title:		
Signature:			Date:		

***Please include a copy of the bank statement(s) referencing the above deposit(s).**

Return to:

Stewardship Council
 8863 Greenback Lane, Suite 326
 Orangevale, CA 95662
Phone: (916) 297-6660

Exhibit C
Shasta Conservation Fund
Financial Policies



The Shasta Conservation Fund
A Non-Profit 501(c)3 Corporation

***Friends of the Western Shasta Resource Conservation
District
(dba: The Shasta Conservation Fund)***

Financial Policies



Amended February 2020

Table of Contents

I.	GENERAL PROVISIONS	3
II.	CHART OF ACCOUNTS	3
III.	CASH RECIEPTS AND DEPOSIT POLICY	3
IV.	FINANCE AND INVESTMENT COMMITTEE.....	4
V.	INVESTMENT POLICY	6
VI.	PURCHASING AUTHORIZATION, DISBURSEMENTS AND CHECK PROCESSING	10
VI.	TRAVEL	12
VII.	PROPERTY - ASSETS.....	12
VIII.	CONTRACTORS AND SUBCONTRACTORS.....	13
IX.	SUPPLIES, POSTAGE, AND COPIER	14
X.	TELEPHONE AND DAILY CONTACTS.....	15
XI.	INSURANCE POLICIES.....	15
XII.	LEASE CONTRACTS	15
XIII.	IN-KIND CONTRIBUTIONS	15
XIV.	GRANTS AND CONSERVATION EASEMENTS.....	15
XV.	GRANT REPORTS.....	16
XVI.	BUDGETS	16
XVII.	AUDITS AND RECORDS.....	16

I. GENERAL PROVISIONS

- A. The Board of Directors, as the governing body of The Shasta Conservation Fund, (Fund) formulates financial policies. The Board may choose to delegate some of the responsibility for administration of financial policies to the Board's appointed representative/employee.
- B. The Accounting Department is responsible to the Board of Directors for the management of financial operations.
- C. Financial duties and responsibilities shall be separated so that no one employee or Board member has sole control over cash receipt, disbursements, payrolls, reconciliation of bank accounts, purchasing or issuance of subcontracts, etc.
- D. Separate ledger accounts for specific projects/endowments will be maintained.
- E. Indirect costs will be allocated to projects by actual identifiable expenses and/or proportioned by time spent or total expenditures to date.
- F. The Fund will employ a bookkeeping system according to GAAP principles.
- G. The Fund's fiscal year is July 1 to June 30.
- H. Financial policies and procedures will be reviewed annually. Any changes to the Financial Policies must be approved by the Board of Directors.
- I. Handling of financial matters by employees and Directors will conform to the highest ethical standards. No financial transaction, hiring or contracting decision should result in personal financial gain for an employee or Director, or any spouse, relative or personal friend of a Director or employee. Failure to comply with these standards will constitute grounds for removal/dismissal from office or employment.

II. CHART OF ACCOUNTS

- A. An account number shall be assigned to each account category to provide specific identification of all financial transactions.

III. CASH RECIEPTS AND DEPOSIT POLICY

- A. The Fund may receive cash and checks as a normal course of business. All employees and Directors will adhere to the following policy and procedures when handling these receipts.

1. Records of Accounts Receivables shall be maintained by the accounting personnel.
2. All checks shall be made payable to the Friends of the Western Shasta RCD or The Shasta Conservation Fund.
3. The Fund will use a standard pre-numbered cash receipt form, which will include all of the information necessary for a basic audit. All receipts will be in duplicate and include the Fund's name and address.
4. When payments by check are received, the secretary or accounting personnel will record the payment in the receipt book. If requested, the original copy will be sent to the payer. A copy of the receipt will be attached to a copy of the deposit slip and photo copy of the check, after deposit is made.
5. If payment is received at a location other than the Fund's office, the employee or director handling the transaction will complete the receipt, and in a timely manner return the payment and the receipt book to the secretary.
6. The receipt book shall be kept in the Fund's office and shall be available for audit at any time.
7. The receipt shall always include the item(s) purchased or reason for receipt of funds (i.e. donation, bat house, etc.).
8. The Directors are responsible for performing random audits to ensure that the receipt process is being followed and that calculations are accurate.

B. Deposits

1. Deposit slips will include the bank number and amount of each check. Cash will be listed separately. All deposit slips will be totaled, dated, and initialed by the preparer. (See item #4 above)
2. A copy of deposited checks and the deposit slip will be forwarded to the accounting department.

IV. FINANCE AND INVESTMENT COMMITTEE

- A. The Finance and Investment Committee provides the highest level of management oversight related to financial operations.
- B. Composition- The Committee shall be composed of (subject to approval by a majority of the Board), a three-member committee appointed annually.
- C. Length of Term- Committee members shall serve annual terms with possible

reelection for no more than two additional terms. Staggered terms shall be considered to help maintain experience.

D. Diversity- Diverse committee achieves better decisions than less diverse ones. The Committee should be well diversified in terms of professional and committee experience, but less so in the areas of gender, race/ethnicity and age.

E. This Committee provides the following services to the Board:

- 1) Recommend the choice of an auditor; perform regular, in-depth reviews of the SCF's financial activity; oversee the development of the annual budget and budget revisions; determine the allocation of assets and investments.
- 2) Submit any financial and investment policies it deems to be in the best interest of the SCF within the parameters of the articles of incorporation, bylaws, or federal, state and local laws to the Board for approval.
- 3) Meet prior to the regular Board meeting with committee members present.
- 4) Determine that all investigations of ethics violations, fraud or embezzlements have been adequately performed.
- 5) Evaluate, on an annual basis, the performance of the Portfolio Manager related to the investments.
- 6) Obtain sufficient training related investments and to the understanding of financial statements and generally accepted accounting principles.
- 7) Review financial and investment policies and procedures on an annual basis.
- 8) Meet with the independent auditor for a pre-audit meeting and post-audit meeting.
- 9) Present a financial operations report to the Board of Directors at each monthly Board meeting.
- 10) To implement and follow the SCF's Investment policies as found in Section IV.

F. Continuing Education- Continuing education for members is encouraged so the Committee can include topics that are pertinent to members' decision-making process and consider including areas not immediately related to

broaden committee perspective. Topics such as capital market forecasts, regulatory changes, and different investment strategy or asset class deep dives can stimulate new thinking and innovation. Content is usually widely available from academics, outside managers (excluding sales-oriented material), consultants, and peers. In addition, reminding members of best practices for committees should be a regular event.

- G. Conflict of Interest- It is the policy of the Board to avoid conflicts of interest in its operations and in the selection of Committee Members, Managers or funds. Therefore, SCF administrative officers, Board members or members of the Committee, must disclose the nature of any relationship in any manager or fund being considered. Also, the Board member and officers shall not have a material financial relationship in any manager or fund being considered. No independent investment consultant retained by the SCF, or any entity, in which such consultant may have an interest, shall be party to any transaction with, or have a financial or other interest in, any Manager providing services to the foundation or any fund in which the SCF has an investment.

V. INVESTMENT POLICY

The purpose of this policy is to foster a clear understanding of the SCF's investment philosophy, objectives, policies and guidelines to be used by the Finance and Investment Committee, the staff, the investment consultant and the SCF's Investment Managers (hereinafter the "Managers"). The Board shall review this policy annually.

- A. Fundamentals of fiduciary responsibilities- a fiduciary is defined someone who: 1) exercises discretion over the management of a plan or any authority or control over organizational assets; 2) renders investment advice for a fee—or other compensation—directly or indirectly; or 3) has discretion over SCF administrative issues. Anyone who meets even one of these functional definitions will be a fiduciary, regardless of the person's role or title. Common examples of fiduciaries include plan committee members, the plan's investment manager, and staff.
- B. Fiduciary Duties- Fiduciaries must act for the exclusive purpose of providing benefits to the SCF and defraying reasonable expenses of administering the investments.
- C. Defining Prudence- Fiduciaries have a duty to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would act, including ensuring investments remain prudent investments. In other words, fiduciaries must meet a "prudent expert" standard: They must act in the same manner as an experienced or knowledgeable expert. Portfolio diversification required.

- D. Fiduciaries Duties – Fiduciaries have a duty to ensure that assets are well-diversified to “avoid large losses.” Such diversification is required unless it is clearly prudent not to do so under the circumstances. Fiduciaries must follow the terms of the contracts and other documents. Contract provisions must be consistently applied. Above all, fiduciaries must bring the highest levels of ethical conduct and fiduciary care to the operation and ongoing management of investments.
- E. Fiduciary Best Practices- there are best practices at the heart of good fiduciary conduct.
- 1) Organization of committees. The Board elects individuals to oversee the managing of investments. While members of the Committee are not required to be experts on investments, they should have some relevant experience and should be willing to work to satisfy the Government Code’s strict standards.
 - 2) Investment Selection and Monitoring- The committee should understand the investment portfolio’s purpose and objective, with a clear definition of success. The chosen investment strategy should have defined expectations for both risk and return. The process for hiring, evaluating, and terminating investment managers should be clearly defined and adhered to.
 - 3) Plan Cost Reasonableness and Allocation- Plan fiduciaries must ensure that costs are appropriately allocated between investments, and that all costs incurred by contract activities and paid out of investment assets are reasonable. Reasonableness includes an assessment of the quality of the services provided, as well as the cost. Plan fiduciaries should also consider different fee allocation methods that may be available. The SCF should build a record to document the information and factors used to determine the reasonableness of plan fees.
 - 4) Administrative Oversight Requirements- Fiduciaries are expected to maintain contracts, file all reports, notices, and statements required by law.
 - 5) Conform with Contracts and Procedures- the Committee should conduct periodic compliance reviews to ensure that contracts are being followed.
 - 6) Duty of obedience- The board, and all its members, must adhere to all applicable state and federal laws relating to all reporting and filing requirements.
- F. Investment Philosophy- The Committee should focus on the four principles of goals, balance, cost, and discipline. The Committee should keep the following in mind when making investment-related decisions:

- When making assumptions about future asset class returns, do not expect future long-term returns to be significantly higher or lower than long-term historical returns.
- When choosing between actively managed or passively managed investment vehicles, keep in mind that consistently outperforming the financial markets can be difficult.
- Always remain focused on long-term results, not short-term fluctuations in the markets, or with active managers.

G. Limitations on Investments

The Board, Committee members and staff of the SCF have the fiduciary responsibility to manage long-term funds to:

- A) Invest funds to preserve future distribution capability
- B) Produce income to meet annual distribution requirements

Fund balances can fluctuate due to market volatility and additional contributions to funds. Therefore, conservative or low distribution rates are encouraged to provide adequate growth of principal during economic and market growth cycles to sustain consistent distributions during market corrections

Managers shall maintain fund liquidity to meet the needs for distributions and administrative cost requirements.

- H. Use of Managers- Managers from established firms are eligible to participate in the SCF's investment program. Managers shall comply with the Investment Policies and Distributions of the SCF are expected to achieve returns that are like other Managers and benchmarks of similarly allocated funds.
- I. Communication by Managers and Performance Review- No less than quarterly evaluation of assets under management shall be supplied by the Manager, in the form as may be requested by the Committee and to include asset allocation, market valuation, industry segmentation, transaction registers, cash statements, and similar reports. The report of fixed-income and equity shall show inventories at cost, purchase date, market value and share or unit values at cost and market values.
- J. At reasonable times and at the discretion of the Committee, meetings shall be held with the Manager(s) to discuss performance results, economic outlook, organizational changes and other pertinent matters. The Manager(s) shall submit all documents, exhibits and other written material to

be used during such conferences at least ten business days prior to the meeting.

K. All Managers are responsible for free and open communication with the Board through the Committee and the SCF manager in all significant matters pertaining to investment policies and management of investments, including, but not limited to:

A) Major changes in the investment manager's investment outlook, investment strategy and portfolio structure.

B) Any significant changes in the ownership, organizational structure, financial condition or senior personnel staffing of the investment manager's organization.

L. The Committee will review the target for the actual asset allocation annually, or more frequently as necessary. As part of this process, a rebalancing procedure within the policy framework of the adopted asset allocation model has been established. More specifically, the quarterly review guidelines will be:

A) Changes in the allocation to the asset class segments or sub-segments will be made at any time the quarterly weighting is outside the established range as defined on the asset allocation model.

B) Changes in the allocations may be considered any time a segment weighting varies by more than five percentage points from the current recommended target allocation.

M. Review of Manager Performance

The following criteria will be used to evaluate Manager(s) performance:

A) Performance objectives for active management

1. Fund Managers/fund(s) will be expected to be fully invested in a manner consistent with their objectives and or asset class. Their fees are expected to be lower than industry averages.

2. The Managers/fund(s) will also be expected to be fully invested and to consistently achieve a total rate of return, which is equal, or above the median return in a universe of peers with comparable investment styles or portfolio objectives.

B) Semi-Annual review of investment performance for all funds held and administered by the SCF.

C) Recommendations to the Board as to the employment of such Managers as may be required from time to time, and on such other matters involving administration of the SCF's assets.

D) Provide annual budgets for the SCF and review proposed budget adjustments on as needed basis.

N. Disbursements from Investments

Disbursements from investment accounts are to be authorized only by the SCF Manager and with the written approval of a Board member.

VI. PURCHASING AUTHORIZATION, DISBURSEMENTS AND CHECK PROCESSING

A. Purchasing Authorization

1. Purchase Orders should be issued through QuickBooks before any purchase, rental, or service is made or provided for a specific project. The Fund supports using local suppliers whenever possible. Most suppliers will issue an invoice when purchase is made. Others will give a receipt and mail the invoice or mail the invoice with the purchase.
2. Expense and travel claim forms must be prepared, signed by the employee. A member of the Board of Directors will approve all expense and travel claims submitted before payment is made.
3. The accounting personnel will date stamp all bills upon receipt and attach a copy of the approved purchase order (if required). The Accounting Department then prepares an Invoice Payment Request, receives approval to process and enters the invoice into the accounting software.

B. Check Processing

1. All Invoice Payment Requests should include the vendor's name, invoice date and number, payment due date, account allocation, description of expenditure, delivery documentation, and amount of the check. The Invoice Payment Request shall also have an approval signature (before processing) from a director or District Manager.
2. All checks written shall be created in the accounting software

program wherein a check register can be generated.

3. Checks shall be signed no less than monthly with two authorized signatures. All directors shall be authorized to approve invoices for payment and sign checks.

C. Disbursement Verification

1. The accounting personnel and the Director (prior to signing the check) will review the invoice Payment Request to verify they have been prepared accurately. The Accounting Department prints and reviews a disbursement journal (check register) which is included with the monthly financial reports at the Board meeting.

D. Internal Check Control

1. All blank checks will be locked in the Accounting Department safe.
2. Two signatures are required for each check. No signature stamp may be used.
3. Voided checks will be marked VOID and filed.
4. No checks will be made payable to "cash" or "bearer." Petty Cash checks will be made out to the institution that maintains the relevant checking account(s).
5. Blank checks will not be pre-signed.
6. All checks must have prior authorization from a Director or District Manager, which are part of the Invoice Payment Request. Reference Section A-2 and B-3.

E. Bank Reconciliation

1. The accounting personnel shall reconcile the bank statement and verify the deposits and expenditures against the computer generated check register.
2. Bank charges, interest, and any adjustments shall be made by monthly by the accounting department.

F. Petty Cash

1. A petty cash fund (not to exceed \$50) shall be maintained in the Accounting Department. Petty cash shall be used for authorized purchases only. It shall not be used for personal loans of any nature. No other use of the fund is authorized without approval of the Board.
2. The fund shall be kept in a locked file, desk, or other facility at all times.
3. A log of all expenditures and associated receipts shall be maintained by the Accounting Department.
4. The accounting personnel shall prepare a reimbursement check

when the fund requires replenishment.

VI. TRAVEL

- A. All travel shall be coded and authorized. Any travel other than routine travel pertaining to project performance shall be authorized in advance and approved by the Board of Directors.
- B. The Travel Expense Reimbursement Claim form shall be completed and signed by the employee or board member. When the employee/Director is reimbursed for actual expenses, receipts shall be attached to the form.
- C. Processed Travel Expense Reimbursement Claim forms shall be attached to a copy of the reimbursement check and placed in the appropriate file.
- D. The rate of reimbursement for automobile travel shall be established per IRS mileage allowance policy and rates. No receipts shall be required for gasoline usage, but an employee claiming personal travel reimbursement shall state the destination, purpose and number of miles driven on a daily basis.
- E. Mileage to and from the employee's residence shall not be reimbursed. Mileage reimbursement shall be paid only if actual miles traveled exceed round trip mileage from the employee's home to the Fund's office. Board members shall be exempt from this provision and may be reimbursed from their residence to the destination.
- F. No mileage reimbursements shall be issued unless proof of the claimant's current automobile insurance and driver's license are on file at the Fund's office.

VII. PROPERTY - ASSETS

- A. Capital equipment shall be defined as all items with a unit cost of \$500 or more.
- B. If the total cost of leasing equipment over a 3-year period or less exceeds the purchase price, the equipment should generally be purchased.
- C. The Accounting Department shall at the time a capital asset is acquired, issue an inventory number, along with a label for the item, and add it to the capital equipment inventory list. This list will include the item description, vendor, equipment inventory number, date of acquisition, location and cost.

- D. All capital equipment purchases shall be pre-approved by the Board of Directors and must be necessary for the program/project for which it is purchased.
- E. Employees shall notify the Accounting Department which will notify the Board of all cases of loss, damage, or destruction of equipment or other property in a timely manner.

VIII. CONTRACTORS AND SUBCONTRACTORS

- A. The Board may, as per Ordinance 90101 and Resolution 9004 (California Uniform Public Construction Cost Accounting Act Procedures), enter into agreements with subcontractors in accordance with the procedures of the CUPCCAA.
 - 1. The Fund's capability to accomplish these services shall be considered before contracting for them.
- B. Subcontractors shall comply with all the requirements listed in the subcontract and state laws.
 - 1. All contracts and subcontracts involving expenditures of more than \$500 shall be in writing and signed by the persons duly authorized to sign.
 - 2. Consultant services shall be paid for as defined in the subcontract. Guidelines for hiring consultants and/or subcontractors through personal service agreements are as follows:
 - **Total contract cost from \$1-\$50,000:** The District Manager may waive the RFP process and sole source the contract with a qualified consultant/contractor.
 - **Total contract cost from \$50,001 to \$100,000:** The Fund shall solicit a minimum of three (3) proposals from qualified consultants/contractors through an RFP process*.
 - Upon request from the Project Manager or the District Manager the Board of Directors may waive the RFP process when the Board determines that the Fund would be better served by sole sourcing the contract.
 - 3. Guidelines for Hiring Consultants --The consultant selection process will consider the following criteria when applicable and each criterion may be weighted according to its importance to the project's/program's success:

- Staff education and experience
 - Cost of the services
 - Necessary license or other credentials
 - Demonstrated record of success on prior work for the district or others
 - Adequacy of the consultant to perform the work in the time allowed
 - Proposed method of work
 - New or innovative ideas presented in the proposal
 - Demonstrated knowledge of local conditions
 - Past record of continued interest by the consultant in the success of services previously delivered
 - Ability of the consultant to provide errors and omission insurance and other insurance as may be required by the district
 - Other special or unusual criteria necessary for the work.
- C. At the time the project/program is being developed, the Board of Directors shall review and approve all proposed contracts and subcontracts. All contracts shall be signed by the President of the Board, or if not available, the Vice-President, or two Directors.
- D. All contractors and subcontractors shall submit the appropriate invoices for labor and materials to the Fund for payment within 30 days after the completion of the project/program.

IX. SUPPLIES, POSTAGE, AND COPIER

- A. Inventories of consumable supplies, tools, straw, fence posts, and etc. should not exceed \$1,000 per project. If a larger inventory is necessary, a perpetual inventory shall be maintained.
- B. The cost for all outgoing mail that can be identified to a specific project will be coded to the appropriate project. At the end of each month, the identified postage charges shall be allocated by the Accounting Department to the appropriate project.
- C. Copier usage (which includes paper, toner and % of maintenance fees and lease payments if applicable) which can be identified with a specific project shall be coded to the project. Charges for each project shall be totaled monthly and a journal entry will be prepared to allocate expenses.

X. TELEPHONE AND DAILY CONTACTS

- A. Telephone logs will be maintained, when appropriate, for telephone calls that relate to a specific project and submitted monthly to accounting for allocating the cost to the appropriate project.

XI. INSURANCE POLICIES

- A. Insurance policies shall be obtained and maintained by the Accounting Department and updated annually. When possible, the term of a policy shall be identical to the Fund's fiscal year.
- B. Insurance policies shall be reviewed and approved by the Board of Directors prior to execution.

XII. LEASE CONTRACTS

- A. All leases shall be reviewed, approved and signed by the Board of Directors.
- B. Leases shall be maintained by the District Manager.

XIII. IN-KIND CONTRIBUTIONS

- A. All in-kind contributions such as property, services, and volunteer time shall be compiled by the Project Manager and recorded by the Accounting Department on a monthly basis.

XIV. GRANTS AND CONSERVATION EASEMENTS

- A. Original contracts of all grants, conservation easements, private party contracts and modifications thereof shall be maintained by the Accounting Department.
- B. The District Manager and the Board shall review each contract, C.E. and/or amendment to ensure compliance with fiscal and legal provisions.
- C. All contracts/grants, conservation easements and amendments shall be signed by the President or Vice President of the Board or other Board officers as delegated by the President.
- D. The District Manager shall assign grant project numbers to each new grant/contract or conservation easement and inform the appropriate



staff.

XV. GRANT REPORTS

- A. Monthly financial reports by income and expense category for each grant/project will be prepared by the Accounting Department, and approved by the Board of Directors at its periodic meeting.
- B. The District Manager shall meet as necessary with the Project/Program Manager and accounting personnel in order to:
 - 1. Review all expenditures and income.
 - 2. Compare actual expenditures with budgeted amounts and request budget modifications as necessary.
 - 3. Determine the accrued income and expenses at the end of the fiscal period if appropriate.
- C. The District Manager shall compile and submit statistical reports as required for the appropriate grants/programs.

XVI. BUDGETS

- A. Project budgets shall be prepared by the District Manager and Project Manager in collaboration with the Accounting Department personnel.
- B. The District Manager shall monitor program expenses for conformity with the grant budget. Budgets shall be reviewed and revised on an as needed basis (but at least quarterly) with Board approval.
- C. The accounting personnel shall prepare an annual budget, which shall be submitted for Board approval. Subsequent grant amendments and awards shall automatically become part of the budget based upon Board approval of the grant.

XVII. AUDITS AND RECORDS

- A. The Fund shall have audits conducted by a Certified Public Accountant at the direction of the Board of Directors as required by law.
- B. The Fund's records shall be located at the Fund's place of business as designated by the Board of Directors.

I.02-04-026

APPENDIX E

LAND CONSERVATION COMMITMENT

STATEMENT OF PURPOSE

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

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

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COMMITMENTS

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

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

I.02-04-026

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

2. Process For Development of the Conservation Easements and Land Donation Plan: PG&E will work with PG&E Environmental Enhancement Corporation and the Commission in the development and implementation of the conservation easements and land donation plan. PG&E Environmental Enhancement Corporation will recommend to PG&E (1) conservation objectives for the properties, including identification of conservation values, (2) criteria for ultimate disposition of the properties, (3) conservation easements guidelines, and (4) land disposition plans.

3. Reporting Responsibilities: PG&E Environmental Enhancement Corporation will prepare a report to the Commission within 18 months of the Effective Date describing the status of the conservation easement and land disposition plan. PG&E Environmental Enhancement Corporation will make the report available to the public upon request. Every two years following the first report, PG&E Environmental Enhancement Corporation will prepare a report to the Commission on the implementation of the conservation easement and land disposition plan.