

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 6, 2009

Advice Letter 3371-E

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

**Subject: St. Joseph Hospital of Eureka Sole Customer Facility Sale –
Request for Approval Under Section 851**

Dear Mr. Cherry:

Advice Letter 3371-E is effective June 18, 2009 per Resolution E-4252.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
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Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

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December 1, 2008

Advice 3371-E

(Pacific Gas and Electric Company ID U 39 E)

**Subject: St. Joseph Hospital of Eureka Sole Customer Facility Sale –
Request for Approval Under Section 851**

Public Utilities Commission of the State of California

Purpose

Pacific Gas and Electric Company (“PG&E”) requests Commission approval under Public Utilities Code § 851¹ to sell of certain electric facilities and associated appurtenances to St. Joseph Hospital of Eureka (“St. Joseph Hospital” or “St. Joseph”) on the terms and conditions specified in the “Purchase and Sale Agreement (“Agreement”) dated, November 24, 2008 between PG&E and St. Joseph attached hereto as Attachment 1.

Background

Pursuant to the authority granted in Decision (D.) 99-12-030, as modified in D.04-08-031, PG&E hereby requests Commission approval of a proposed sale of limited sole-customer public utility facilities, using the updated standard form purchase and sale agreement for sole-customer facility sales pursuant to D.04-08-031.

St. Joseph Hospital, located in the City of Eureka, CA, has been serving the health care needs of the Humboldt County community since 1920. Comprised of two campuses, St. Joseph Hospital and the General Hospital campus are located within a quarter mile of each other in Eureka. PG&E and St. Joseph seek approval from the Commission for PG&E to sell certain electric distribution facilities located on the St. Joseph Hospital property in order to allow St. Joseph to install additional circuit protection and comply with PG&E’s current standards for delivery of primary-voltage service at the twelve (12) thousand volt level. PG&E and St. Joseph seek approval of this advice letter filing pursuant to the authority granted in D. 99-12-030, relating to the sale of limited sole-customer public utility facilities.

¹ PG&E believes the subject sale of public utility facilities meets the review process outlined in Resolution ALJ-202.

The PG&E's facilities proposed for sale to St. Joseph consist of depreciable assets used for electric distribution and dedicated to the sole use of St. Joseph. They are typical of the depreciable assets contemplated in Decisions (D.) 99-12-030 and 04-08-031.² PG&E currently owns two (2) transformers, secondary conductors and other associated appurtenances ("Facilities") necessary for the distribution of electric service that is located on the St. Joseph property at 2700 Dolbeer Street, in Eureka, CA. The two transformers have been deemed no longer necessary or useful to PG&E and will be retired and removed from service upon completion of the sale. St. Joseph will be purchasing its own replacement transformers, and desires to purchase PG&E's electric secondary conductors and appurtenances associated with its former transformers. The secondary conductors and appurtenances along with St. Joseph's replacement transformers will be used for providing the distribution of secondary-voltage electric service at the four hundred and eighty (480) volt level to St. Joseph.

PG&E wishes to sell the Facilities because it has received a fair offer from St. Joseph. St. Joseph has offered to pay PG&E a purchase price of \$28,974, which is equal to Reproduction Cost New Less Depreciation (RCNLD) for the Facilities. By selling the Facilities through a negotiated sale, PG&E and St. Joseph's can avoid the costs of litigation and the uncertainty as to the sale price. This transaction further serves PG&E's customer interests by eliminating maintenance costs and potential replacement costs associated with the ownership of the Facilities. The purpose of the sale is to allow St. Joseph to install additional circuit protection and to comply with PG&E's current standards for delivery of primary-voltage service, more specifically described in the Purchase and Sale Agreement ("Agreement") provided in Attachment 1.

The proposed sale of the Facilities will not have an adverse effect on the public interest because it will not interfere in any way with the operation of PG&E's remaining facilities or with the provision of service to PG&E's customers and the public. Consistent with the requirements of D.99-12-030 and 04-08-031, the facilities proposed for sale have been owned, operated and maintained by PG&E solely to provide utility service to the proposed purchaser.

In accordance with the format of advice letter directed in Resolution ALJ-202, Appendix A, Section IV., PG&E provides the following information related to the proposed transaction:

² D.04-08-031, "Examples of Sole Customers Facilities include electric distribution equipment (including conductors, poles, switches, connection hardware, and transformers), gas and electric metering equipment, and gas service piping." (p.2)

(1) Identity and Addresses of All Parties to the Proposed Transaction:

Pacific Gas and Electric Company	John H. Goossens
Andrew L. Niven	St. Joseph Hospital
Gail L. Slocum	2700 Dolbeer St.
Law Department	Eureka, CA 95501
P.O. Box 7442	Telephone: (707) -445-8121 ext. 7682
San Francisco, CA 94120	Facsimile: (707) 269-3846
Telephone: (415) 973-6583	Email: jgoossen@sje.stjoe.org
Facsimile: (415) 973-0576	
Email: GLSG@pge.com	

(2) Complete Description of the Property Including Its Present Location, Condition and Use:

The facilities subject to this transaction consist of secondary conductor and associated appurtenances owned by PG&E. These facilities are located on the St. Joseph Hospital property in Eureka, CA beyond the secondary point of connection to PG&E's distribution facilities. The description of the Facilities can be found in Exhibit A of the Agreement (Attachment 1)

(3) Intended Use of the Property:

PG&E is not aware of any anticipated change in the use of the Facilities. The Facilities currently are used to for the distribution of electric service to St. Joseph and upon completion of the sale, St. Joseph plans to operate the Facilities and its associated appurtenances to serve the hospital at 2700 Dolbeer Street and 2720 Dolbeer Street in Eureka, CA. The sale of the Facilities is beneficial to PG&E's customers because it alleviates the need for Facilities operations, maintenance and potentially costly future replacement/retirement.

(4) Complete Description of Financial Terms of the Proposed Transaction:

St. Joseph has agreed to purchase the Facilities and associated appurtenances subject to this Advice Letter for the price of \$28,974.00.

(5) Description of How Financial Proceeds of the Transaction Will Be Distributed:

The Facilities for sale consist of electric distribution assets. Disposition of the proceeds from the sale of the Facilities will be made in accordance with the policy for the allocation of the gains and losses on the sale of

electric distribution assets adopted in the Commission's Gain on Sale Rulemaking, in D. 06-05-041 as modified in D.06-12-043. Pursuant to the forgoing authority, PG&E will credit the gain on sale to the Depreciation Reserve, consistent with CFR Title 18, Electric Plant Instruction 10, paragraph F accounting.

(6) Impact of the Transaction on Ratebase and Any Effect on the Ability of the Utility to Serve Customers and the Public:

Pursuant to the authority granted in D.99-12-030 and D. 04-08-031, the purchase price is greater than or equal to Replacement Cost New Less Depreciation ("RCNLD")³. As a result of the sale, PG&E's rate base will be reduced by the net-of-tax proceeds, which will be credited to the depreciation reserve as a net benefit to PG&E ratepayers. This filing will not increase any other rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

(7) The Original Cost, Present Book Value, and Present Fair Market Value for Sales of Real Property and Depreciable Assets, and a Detailed Description of How the Fair Market Value Was Determined (e.g., Appraisal):

The original cost of the Facilities is \$22,521.00, and the net book value of the Facilities is \$12,726.00.

(8) The Fair Market Rental Value for Leases of Real Property, and a Detailed Description of How the Fair Market Rental Value Was Determined:

Not Applicable.

³ The Commission appears to use the terms "Replacement Cost New Less Depreciation" and "Reproduction Cost New Less Depreciation" interchangeably: Decision 04-08-031 provides that "each facility would be valued at a price equal or greater to *replacement* cost new less depreciation," yet the modified form of Purchase and Sale Agreement (PSA) adopted in that decision cites *Reproduction* Cost New Less Depreciation in Section 3.1 of the PSA as the default appraisal method. Actually, these terms refer to separate, but similar, valuation methodologies: "Reproduction cost new" is defined as the current cost of reproducing a new replica of a property with the same or similar materials, whereas "replacement cost new" is defined as the current cost, new, of a similar new property having the nearest equivalent use as the property being appraised (Application (A.) 02-01-012, p.3-1). According to the appraisal process established by the American Institute of Appraisal the type of asset(s) at issue should drive which of these methodologies is used. For assets subject to significant advances in technology, e.g., certain substation equipment, replacement cost new would be the preferable approach. In appraisal of the Facilities as they relate to St. Joe's, PG&E used "reproduction cost new" the assets (transformers, wires, conductors, etc.) in this case are not subject to such technological advances. In any event, PG&E believes that either approach in this case would yield a similar result.

(9) The Fair Market Value of the Easement or Right-of-Way and a Detailed Description of How the Fair Market Rental Value Was Determined:

Not Applicable.

(10) A Complete Description of any Recent Past (Within the Prior Two Years) or Anticipated Future Transactions that May Appear To Be Related to the Present Transaction:

To PG&E's knowledge, other than St. Joseph's purchase and installation of its own new replacement transformers, there are no anticipated future transactions that may appear to be related to this sale transaction.

(11) Sufficient Information and Documentation (Including Environmental Documentation) to Show that All Criteria Set Forth in Section II of Resolution ALJ-202 Are Satisfied:

PG&E has provided sufficient information in this advice letter as specified in D. 99-12-030 as modified in D.04-08-031. Additionally, the proposed Facilities sale by PG&E constitutes solely a change in ownership and no direct or indirect environmental impacts will occur as a result of the sale of these specific facilities.

(12) Additional Information to Assist in the Review of the Advice Letter:

PG&E is not aware of any additional relevant information other than what is included with this advice letter.

(13) Environmental Information

The proposed Facilities sale constitutes a change in ownership and no direct or indirect environmental impacts will occur as a result of the sale of these specific facilities. Accordingly, as stated in D.99-12-030 (pp. 7, 9), this advice letter process is exempt from further action under the California Environmental Quality Act ("CEQA"). This filing will not increase any other rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

a. Exemption

(1) Has the proposed transaction been found exempt from CEQA by a government agency?

(a) If yes, please attach notice of exemption. Please provide name of agency, date of Notice of Exemption, and State Clearinghouse number.

Not Applicable.

- (b) If no, does the applicant contend that the project is exempt from CEQA? If yes, please identify the specific CEQA exemption or exemptions that apply to the transaction, citing to the applicable State CEQA Guideline(s) and/or Statute(s).

Although not directly part of the PG&E facility sale transaction, St. Joseph's purchase and installation of new replacement transformer(s) to replace the old obsolete one(s) that PG&E is removing is categorically exempt from CEQA under Section 15302 which covers "replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure to be replaced and will have substantially the same purpose and capacity as the structure replaced."

b. Not a "Project" Under CEQA

- (1) If the transaction is not a "project" under CEQA, please explain why.

Because this PG&E transaction does not involve any direct or indirect environmental impacts, it is not a project under CEQA. However, as noted in PG&E's response above in Part 13 a. (1) (b), St. Joseph's newly purchased transformers will replace and be installed in the same location and on the same transformer pads vacated by PG&E. These efforts by St. Joseph are categorically exempt from CEQA under Section 15302 which covers "replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure to be replaced and will have substantially the same purpose and capacity as the structure replaced.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than 20 days after the date of this filing, which is **December 22, 2008**.⁴ Protests should be mailed to:

⁴ The 20-day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Pacific Gas and Electric Company
Attention: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Effective Date

Pursuant to the review process outlined in Resolution ALJ-202, PG&E requests that this advice filing become effective by Commission resolution as soon as possible. **PG&E submits this filing as a Tier 3.**

Notice

In accordance with D.99-12-030, a copy of this advice letter is being served on the Energy Division and the Division of Ratepayer Advocates. In addition, in accordance with Section III, Paragraph G, of General Order 96-A, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address change requests should be directed to Rose De La Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.



Vice President, Regulatory Relations

Attachment

cc: Service List – Advice Letter 3371-E

***** SERVICE LIST Advice 3371-E*****
APPENDIX A

Angela K. Minkin
Administrative Law Judge Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2008
ang@cpuc.ca.gov

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Brewster Fong
Division of Ratepayer Advocates
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San Francisco, CA 94102
(415) 703- 2187
bfs@cpuc.ca.gov

***** **AGENCIES** *****

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Eureka City Hall
531 "K" Street - Room 208
Eureka, CA 95501-1146
(707) 441-4172
cityclerk@ci.eureka.ca.gov

***** **3rd Party** *****

John H. Goossens
St. Joseph Hospital
2700 Dolbeer St.
Eureka, CA 95501
Telephone: (707) -445-8121 ext. 7682
Facsimile: (707) 269-3846
Email: jgoossen@sje.stjoe.org

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

Advice Letter (AL) #: **3371-E**

Tier: 3

Subject of AL: St. Joseph Hospital of Eureka Sole Facility Sale

Keywords (choose from CPUC listing): Section 851

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.99-12-030 and D.04-08-031

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? Yes No

Requested effective date: **as soon as possible**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave.,

San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**PURCHASE AND SALE AGREEMENT
(Customer Specific Sales)**

By and between

PACIFIC GAS AND ELECTRIC COMPANY

and

ST. JOSEPH HOSPITAL OF EUREKA

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PURCHASE AND SALE AGREEMENT

DISTRIBUTION:

Original Svc PIng
Copy Division
Copy PG&E

REFERENCE:

ORDER NO. 30425092
AP NO.
D&C NO.

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of this 24 day of November, 2008 the ("Effective Date") by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation ("PG&E"), and **ST. JOSEPH HOSPITAL OF EUREKA**, a California corporation ("Buyer").

RECITALS:

A. PG&E currently owns the facilities (the "Facilities") described on Exhibit A attached hereto. The Facilities are located on the real property (the "Land") described on Exhibit B attached hereto, which real property is either owned by Buyer or Buyer has adequate land rights.

B. The Facilities are no longer necessary to PG&E in the performance of its duties to the public.

C. Buyer has expressed a desire to purchase the Facilities, and PG&E is willing to sell the Facilities to Buyer on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the respective covenants and agreements contained in this Agreement, PG&E and Buyer each agree as follows:

1. **DEFINITIONS.** The following terms shall have the meanings ascribed to them below for purposes of this Agreement:

1.1 **Agreement.** "Agreement" has the meaning given in the preamble paragraph.

1.2 **Bill of Sale.** "Bill of Sale" means a document transferring title to the Facilities to Buyer, which document shall be substantially in the form of Exhibit C attached hereto.

1.3 **Business Day.** "Business Day" means a day other than Saturday, Sunday or a day on which (i) banks are legally closed for business in the State of California; or (ii) PG&E is closed for business.

1.4 **Buyer.** "Buyer" has the meaning given in the preamble paragraph.

1.5 **CEQA.** "CEQA" has the meaning given in Section 5.2.

1.6 **Claims.** "Claims" has the meaning given in Section 7.1.

1.7 **Closing.** "Closing" has the meaning given in Section 6.1.

1.8 Closing Date. "**Closing Date**" means the date PG&E delivers the Bill of Sale to Buyer.

1.9 CPUC. "**CPUC**" means the California Public Utilities Commission, or its regulatory successor, as applicable.

1.10 CPUC Approval. "**CPUC Approval**" means final, unconditional approval (including exhaustion of all administrative and judicial remedies or the running of time periods and statutes of limitation for rehearing and judicial review without rehearing or judicial review being sought) of this Agreement and the transactions contemplated hereby on terms and conditions acceptable to PG&E in its good faith discretion, including approval of PG&E's proposed accounting and ratemaking treatment of the sale.

1.11 CPUC Approval Date. "**CPUC Approval Date**" means the date on which CPUC approval of this Agreement and the transactions contemplated hereby on terms and conditions acceptable to PG&E in its good faith discretion, including approval of PG&E's proposed accounting and ratemaking treatment of the sale, becomes final, unconditional and unappealable (including exhaustion of all administrative and judicial remedies or the running of time periods and statutes of limitation for rehearing and judicial review without rehearing or judicial review being sought).

1.12 Effective Date. "**Effective Date**" has the meaning given in the preamble paragraph.

1.13 Environmental Requirements. "**Environmental Requirements**" means any applicable statutes, regulations or ordinances now in force or that may later be in force 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 laws, requirements and regulations pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of such substances into the air, surface water, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of such substances. Environmental Requirements include: the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) ("**CERCLA**"); the Hazardous Materials Transportation Act (49 U.S.C. § 5101 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.); the Clean Water Act (33 U.S.C. §§1251 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); the Oil Pollution Act (33 U.S.C. § 2701 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act, (7 U.S.C. §§136 et seq.); the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.); the Porter-Cologne Water Quality Control Act (Cal. Wat. Code § 13020 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 et seq.); the Carpenter-Presley-Tanner Hazardous Substance Account Act (Health and Safety Code §§25300 et seq.); and the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 et seq.).

1.14 Excluded Taxes. "**Excluded Taxes**" means (a) Taxes (other than any sales, use, gross receipts, transfer or property Taxes, or any Taxes in the nature of sales, use, gross receipts, transfer or property Taxes) imposed on PG&E that are capital gains Taxes, minimum or alternative minimum Taxes, accumulated earnings Taxes, franchise Taxes or Taxes on or measured by gross or net income, capital or net worth of PG&E; and (b) property

Taxes to the extent the payment is addressed in Section 3.2(b), and is not required to be reimbursed to PG&E by Buyer.

1.15 Estimated Closing Date. "**Estimated Closing Date**" has the meaning given in Section 6.1.

1.16 Facilities. "**Facilities**" has the meaning given in Recital Paragraph A.

1.17 Governmental Authority. "**Governmental Authority**" means any federal, state, local or other governmental, regulatory or administrative agency, commission, department, board, subdivision, court, tribunal, or other governmental arbitrator, arbitral body or other authority.

1.18 Hazardous Substances. "**Hazardous Substances**" means any hazardous or toxic material or waste, which is or becomes regulated by Environmental Requirements. Without limiting the generality of the foregoing, Hazardous Substances include 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 Environmental Requirements; 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 the United States, the State of California, any local governmental authority 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 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 ("**PCBs**") or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or (f) which contains radon gas; (g) fuel or chemical storage tanks, energized electrical conductors or equipment, or natural gas transmission or distribution pipelines; and (h) other potentially hazardous substances, materials, products or conditions.

1.19 Land. "**Land**" means the real property described on Exhibit B attached hereto.

1.20 Legal Requirements. "**Legal Requirements**" means all laws, statutes, ordinances, rules, regulations, requirements or orders of any Governmental Authority now in force or that may later be in force, and the conditions of any permit, certificate, license or other approval issued by public officers relating to the Facilities, including Environmental Requirements.

1.21 Mortgage. "**Mortgage**" means the Indenture of Mortgage dated March 11, 2004, as supplemented through the Closing Date.

1.22 PG&E Parties. "**PG&E Parties**" means PG&E and/or each and all of its past, present and future officers, directors, partners, employees, agents, representatives, shareholders, attorneys, affiliates, parent and subsidiary corporations, divisions, insurance carriers, heirs, legal representatives, beneficiaries, executors, administrators, predecessors, transferees, successors and assigns.

1.23 Potential Environmental Hazards. "Potential Environmental Hazards" means electric fields, magnetic fields, electromagnetic fields, electromagnetic radiation, power frequency fields, and extremely low frequency fields, however designated, and whether emitted by electric transmission lines, other distribution equipment or otherwise.

1.24 Purchase Price. "Purchase Price" has the meaning given in Section 3.1.

1.25 Tax Claim. "Tax Claim" has the meaning given in Section 3.2(e).

1.26 Taxes. "Taxes" mean all federal, state, local or foreign income, ad valorem, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property (including assessments, special assessments, special district assessments, escape assessments, benefit assessments and maintenance assessments, fees or other charges or surcharges of any nature based on the use or ownership of real property), personal property, sales, use, documentary transfer, registration, value added, alternative and add-on minimum, estimated taxes, and all other taxes of any kind whatsoever, including all interest, penalties, fines and additions thereto, whether disputed or not, including all items for which liability arises as a transferee or successor-in-interest.

2. PURCHASE AND SALE OF FACILITIES.

Subject to the terms and conditions of this Agreement, PG&E agrees to sell, convey, assign, transfer and deliver to Buyer, and Buyer agrees to purchase and acquire from PG&E, all of PG&E's right, title and interest in the Facilities.

3. PURCHASE PRICE AND OTHER COSTS.

3.1 Purchase Price. Subject to adjustment as provided in this Section 3.1, the purchase price ("**Purchase Price**") for the Facilities is twenty eight thousand nine hundred seventy four Dollars (\$ 28,974). The Purchase Price is based upon the Facilities existing on the Effective Date. If any additions to or retirements from the Facilities are made after the Effective Date and prior to the Closing Date, the Purchase Price shall be adjusted upward or downward, as the case may be, in accordance with the Reproduction Cost New Less Depreciation method of valuing assets, using eight point seven nine (8.79%) present worth depreciation. PG&E shall provide Buyer with written notice of the adjusted Purchase Price no later than the ten (10) Business Days after the CPUC Approval Date. If the Purchase Price is adjusted upward by more than ten percent (10%), Buyer may terminate this Agreement without further liability by providing written notice to PG&E within ten (10) Business Days of Buyer's receipt of notice of the adjusted Purchase Price.

3.2 Taxes.

(a) Except for any Excluded Taxes for which Buyer will have no liability, Buyer shall pay all Taxes arising in connection with the sale and transfer of the Facilities (or any part thereof), this Agreement or the transactions contemplated herein, or the receipt of the Purchase Price or other amounts hereunder, regardless of whether levied or imposed on or with respect to PG&E, Buyer or all or any part of the Facilities or any use thereof, and regardless of when such Taxes are levied or imposed.

(b) State and local personal property Taxes relating to the Facilities for the tax year (ending June 30) will be prorated between Buyer and PG&E on the following basis: PG&E is to be responsible for all such Taxes for the period up to the Closing Date; and Buyer is responsible for all such Taxes for the period on and after the Closing Date. All Taxes assessed on an annual basis will be prorated on the assumption that an equal amount of Taxes applies to each day of the year, regardless of how any installment payments are billed or made, except that Buyer will bear all supplemental or other state and local personal property Taxes which arise out of a change in ownership of the Facilities. In addition, Buyer acknowledges that the Facilities are assessed by the California State Board of Equalization as of January 1 of each year, and, if the Closing occurs between January 1 and June 30, PG&E must pay personal property taxes arising out of the ownership of the Facilities for the subsequent fiscal year. If the Closing occurs between January 1 and June 30, Buyer will deposit with PG&E the full amount to pay personal property taxes for the tax year beginning on July 1, in addition to the prorated amount of personal property taxes for the current tax year (ending June 30), and PG&E will pay the personal property taxes for these tax years before they become delinquent; provided however, that PG&E may pay such taxes in installments as permitted by law. If the personal property taxes for the tax year beginning on July 1 are not available as of the Closing, then the amount due from Buyer to PG&E for such tax year will be estimated on the basis of the prior year's personal property taxes and such amount will be subject to adjustment after the Closing. If the Closing occurs between July 1 and December 31, Buyer will deposit with PG&E the prorated amount of personal property taxes for the tax year in which the Closing occurs and PG&E will pay the personal property taxes for such tax year before they become delinquent; provided however, PG&E may pay such taxes in installments as permitted by law.

(c) PG&E will be entitled to any refunds or credits of Taxes relating to the Facilities that are allocable to the period prior to the Closing Date. Buyer will promptly notify and forward to PG&E the amounts of any such refunds or credits to PG&E within five (5) Business Days after receipt thereof. Buyer will be entitled to a refund of Taxes relating to the Facilities that are allocable to the period on and after the Closing Date. PG&E agrees to reasonably cooperate with Buyer's efforts to obtain such refund.

(d) After the Closing Date, Buyer will notify PG&E in writing, within five (5) Business Days after Buyer's receipt of any correspondence, notice or other communication from a taxing authority or any representative thereof, of any pending or threatened tax audit, or any pending or threatened judicial or administrative proceeding that involves Taxes relating to the Facilities for the period prior to the Closing Date, and furnish PG&E with copies of all correspondence received from any taxing authority in connection with any audit or information request with respect to any such Taxes relating to the Facilities for the period prior to the Closing Date.

(e) Notwithstanding any provision of this Agreement to the contrary, with respect to any claim for refund, audit, examination, notice of deficiency or assessment or any judicial or administrative proceeding that involves Taxes relating to the Facilities for the period either entirely prior to the Closing Date or both prior to and after the Closing Date (collectively, "**Tax Claim**"), the parties will reasonably cooperate with each other in contesting any Tax Claim, including making available original books, records, documents and information for inspection, copying and, if necessary, introduction as evidence at any such Tax Claim contest and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder with respect to such Tax Claim or to testify at proceedings relating to such Tax Claim. PG&E will control all proceedings taken in connection with any Tax Claim that pertains entirely to the period prior to the Closing Date, and

PG&E and Buyer will jointly control all proceedings taken in connection with any Tax Claim pertaining to the period both prior to and after the Closing Date. Buyer has no right to settle or otherwise compromise any Tax Claim which pertains entirely to the period prior to the Closing Date; and neither party has the right to settle or otherwise compromise any Tax Claim which pertains to the period both prior to and after the Closing Date without the other party's prior written consent.

(f) The obligations of the parties pursuant to this Section 3.2 shall survive the Closing.

4. CONDITIONS PRECEDENT.

4.1 Conditions to Buyer's Obligations. Buyer's obligation under this Agreement to purchase the Facilities is subject to the fulfillment or waiver of each of the following conditions precedent:

(a) PG&E shall have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed or complied with by PG&E at or prior to the Closing.

(b) No suit, action or other proceeding shall be pending before any court or Governmental Authority which seeks to restrain or prohibit any of the transactions contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the transactions contemplated hereby.

4.2 Conditions to PG&E's Obligations. PG&E's obligation under this Agreement to sell the Facilities to Buyer is subject to the fulfillment or waiver of each of the following conditions precedent:

(a) Buyer shall have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed by Buyer at or prior to the Closing.

(b) No suit, action or other proceeding shall be pending before any court or Governmental Authority which seeks to restrain or prohibit any of the transactions contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the transactions contemplated hereby.

4.3 CPUC Approval. The obligation of each party to close the sale of the Facilities is conditioned upon obtaining CPUC Approval on or prior to the Closing Date. PG&E shall have the right (but not the obligation) to extend the Estimated Closing Date to obtain CPUC Approval as set forth in Section 6.1. PG&E shall use good faith efforts to obtain CPUC Approval, and Buyer agrees to cooperate with PG&E's efforts to obtain CPUC Approval, including by promptly reviewing and signing the application for CPUC Approval. Buyer acknowledges and agrees that PG&E makes no representation or warranty with respect to the likelihood of obtaining CPUC Approval, and Buyer hereby waives all Claims against PG&E that may arise as a result of the need for CPUC Approval or PG&E's failure to obtain CPUC Approval, unless PG&E did not make a good faith effort to obtain CPUC Approval. If CPUC Approval has not been obtained on or prior to the Estimated Closing Date, as the same may be extended, the provisions of Section 4.4 below shall apply. Nothing in this Section in any way

imposes upon PG&E an obligation to accept any term or condition imposed by the CPUC as a condition of its approval which term or condition is not acceptable to PG&E in its sole discretion.

4.4 Satisfaction or Waiver of Conditions. Buyer may waive any of the conditions precedent set forth in Section 4.1, and PG&E may waive any of the conditions precedent set forth in Section 4.2. Neither party shall have the right to waive the condition precedent set forth in Section 4.3. Subject to the foregoing, in the event that any of the conditions precedent set forth in this Section 4 shall not be satisfied or waived on or before the Estimated Closing Date (as the same may be extended), then the party whose obligations are subject to such condition precedent shall have the right to terminate this Agreement upon written notice to the other party, and PG&E and Buyer shall thereupon each be released from all obligations under this Agreement, except those which expressly survive termination.

5. CONDITION OF FACILITIES.

5.1 Prior Inspection. Buyer acknowledges that prior to the execution of this Agreement, Buyer has had ample opportunity to inspect the Facilities and has inspected the Facilities to its satisfaction. Based on Buyer's independent investigation of the Facilities, Buyer has decided to execute this Agreement.

5.2 Compliance with Legal Requirements and Governmental Approvals. Except for (a) CPUC Approval; and (b) PG&E's obligations under Section 6.4; Buyer, at Buyer's sole expense, is responsible for complying with all Legal Requirements and obtaining all authorizations, consents, licenses, permits and approvals of Governmental Authorities and third persons required by applicable Legal Requirements or required by any such third persons in connection with the consummation of the transactions contemplated by this Agreement and with Buyer's operation of the Facilities, whether as a result of the PCB content or otherwise, including all consents to the assignment from PG&E to Buyer of the Facilities (or any portion thereof). Notwithstanding the foregoing, Buyer is responsible for complying with the California Environmental Quality Act ("**CEQA**") to the extent applicable, and satisfying, at Buyer's sole expense, any and all mitigation measures under CEQA that may apply to Buyer's acquisition or operation of the Facilities. Buyer shall promptly notify PG&E of any and all mitigation measures that may affect PG&E. If PG&E determines in good faith that any such mitigation measures may adversely affect PG&E, PG&E shall have the right, without liability to Buyer, to terminate this Agreement upon written notice to Buyer. In the event of such termination, PG&E and Buyer shall each be released from all obligations under this Agreement, except those that expressly survive termination. Buyer's obligations under this Section 5.2 shall survive the termination of this Agreement or the Closing.

5.3 Disclosure Regarding Hazardous Substances. PG&E hereby discloses to Buyer that Potential Environmental Hazards and Hazardous Substances, including PCBs, may be present at, in, on, under, about, contained in, or incorporated in the Facilities or the Land, or portions thereof. Buyer represents that it is purchasing the Facilities for Buyer's own use, and not for resale. Buyer will continue to use the Facilities substantially in the manner in which they are currently being used for distribution purposes. If Buyer sells the Facilities or the Land, or any part thereof, it shall disclose, in writing, to all potential buyers, prior to the sale, that Potential Environmental Hazards and Hazardous Substances, including PCBs, may be present at, in, on, under, about, contained in, or incorporated in the Facilities or the Land, or portions thereof. Further, in the event the Facilities or the Land (or any portion thereof) are sold, conveyed or transferred in any manner to a person other than PG&E, Buyer shall incorporate in

the agreement effectuating such transfer, language substantially in the same form as this paragraph. Buyer's obligations under this Section 5.3 shall survive the Closing.

5.4 Disclaimers Regarding the Facilities. BUYER ACKNOWLEDGES THAT IT IS RELYING UPON ITS OWN INDEPENDENT INVESTIGATION IN DECIDING TO PURCHASE THE FACILITIES. BUYER EXPRESSLY DISCLAIMS RELIANCE ON ANY REPRESENTATIONS, WARRANTIES OR GUARANTIES, EITHER EXPRESS OR IMPLIED, BY PG&E, ITS OFFICERS, DIRECTORS, COUNSEL, REPRESENTATIVES OR AGENTS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE FACILITIES, THE PROSPECTS (FINANCIAL AND OTHERWISE) OF THE FACILITIES, THE QUALITY OF WORKMANSHIP OF THE FACILITIES, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT. PG&E FURTHER SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY REGARDING POTENTIAL ENVIRONMENTAL HAZARDS, THE PRESENCE OF HAZARDOUS SUBSTANCES, COMPLIANCE OF THE FACILITIES WITH ENVIRONMENTAL REQUIREMENTS, OR LIABILITY OR POTENTIAL LIABILITY ARISING UNDER ENVIRONMENTAL REQUIREMENTS. NO SCHEDULE OR EXHIBIT TO THIS AGREEMENT, NOR ANY OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATIONS MADE BY PG&E, WILL CAUSE OR CREATE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED.

5.5 "AS IS" SALE. THE FACILITIES ARE BEING TRANSFERRED "AS IS, WHERE IS, AND WITH ALL FAULTS" IN THEIR EXISTING CONDITION ON THE CLOSING DATE, WITHOUT ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND BY PG&E, EXPRESS, IMPLIED OR STATUTORY, AND WITHOUT RECOURSE AGAINST PG&E, EXCEPT AS SET FORTH IN THIS AGREEMENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E EXPRESSLY DISCLAIMS: (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; AND (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR MATERIALS.

5.6 Maintenance of Facilities Pending Closing. From the Effective Date through the Closing Date, PG&E will, at its expense, operate and maintain the Facilities in a manner consistent with PG&E practices.

6. CLOSING.

6.1 Closing Date. The parties estimate that the closing of this transaction (the "**Closing**") will take place on February 1, 2009 (the "**Estimated Closing Date**"); provided, however, that if the CPUC Approval Date has not occurred prior to the Estimated Closing Date, PG&E shall have the right (but not the obligation) to extend the Estimated Closing Date for up to an additional one (1) year to obtain CPUC Approval, in which case the Closing Date shall occur on the date specified by PG&E, which date shall be no later than one hundred eighty (180) days following the CPUC Approval Date. If PG&E fails to obtain CPUC Approval prior to the Estimated Closing Date (as the same may be extended), this Agreement shall automatically terminate and except for agreements that expressly survive the termination of this Agreement, all obligations and liabilities of the parties under this Agreement shall terminate. If the conditions set forth in Section 4 have been satisfied (or waived by the party for whose benefit such condition precedent exists) prior to the Estimated Closing Date, the parties may mutually agree to accelerate the Closing Date. In addition, the parties may mutually agree to extend the

Closing Date to take into account the scheduling of the final reading of electrical meters, weather conditions that may delay severance work, and other similar matters. The parties shall reasonably cooperate in modifying the Closing Date to accommodate the requirements of the other party, provided that in the event of any emergency situation or for other good cause, PG&E may unilaterally delay the Closing Date for a maximum of forty-five (45) days by written notice to Buyer. Upon request by PG&E, Buyer shall acknowledge the Closing Date in writing; provided, however, that Buyer's failure to execute such acknowledgement shall not affect the Closing Date.

6.2 Delivery of Funds and Documents. The parties shall take the following actions on the respective dates specified below:

(a) Within ten (10) Business Days after written request, Buyer shall pay to PG&E in U.S. dollars the Purchase Price and the Taxes (to the extent the amount owing by Buyer to PG&E is determined as of the date of the request), provided that PG&E shall not request such payment until approximately thirty (30) Business Days prior to the Closing Date.

(b) On the Closing Date, PG&E shall deliver to Buyer an original Bill of Sale duly executed by PG&E. The parties agree that delivery of the Bill of Sale shall be effective upon the earlier of (i) delivery to Buyer by hand of an original Bill of Sale; or (ii) Buyer's receipt of a facsimile transmission of the Bill of Sale as evidenced by electronic confirmation of receipt. If delivery is made by facsimile transmission, PG&E shall concurrently send the original document(s) to Buyer by registered or certified mail or overnight courier.

6.3 Assumption of Liabilities. Upon the Closing Date, Buyer will assume all obligations and liabilities of any kind or nature whatsoever related to, arising from, or associated with ownership or possession of the Facilities.

6.4 Warranty of Title and Removal of Lien of Mortgage. PG&E (i) warrants that upon CPUC Approval and execution and delivery of the Bill of Sale, Buyer shall have good title to the Facilities, free and clear of all liens and encumbrances except for the lien of the Mortgage and (ii) within a reasonable time after the Closing Date, PG&E shall cause the Facilities to be released from the lien of the Mortgage.

6.5 Survival. The covenants, agreements, and obligations of PG&E and Buyer contained in Section 6.3 and Section 6.4 shall survive the Closing.

7. RELEASE.

7.1 Release. Buyer, for itself, and for any future owners or holders of all or a part of the Facilities and/or the Land, and each of their respective predecessors, successors, assigns, licensees, officers, directors, employees, agents, partners, shareholders, transferees, parent and subsidiary corporations, legal representatives, heirs, beneficiaries, executors and administrators hereby fully and forever releases, exonerates, discharges and covenants not to sue PG&E Parties of, from and for any and all losses (including diminution in the value of the Land and other consequential damages), costs, claims, demands, actions, suits, orders, causes of action, obligations, controversies, debts, expenses, accounts, damages, judgments and liabilities of whatever kind or nature (including fines and civil penalties), and by whomsoever asserted, in law, equity or otherwise, whether known or unknown, (each a "**Claim**" and, collectively, "**Claims**") arising from or in any way connected with the Facilities, including Claims relating to PG&E's maintenance of the Facilities prior to the Closing, Claims relating to Potential

Environmental Hazards, and Claims relating to the presence of PCBs or any other Hazardous Substances in the Facilities and/or in, on or about the Land.

7.2 Statutory Waiver. Buyer acknowledges that it may hereinafter discover facts different from or in addition to those, which it now knows or believes to be true with respect to the matters that are the subject of this Agreement, and agrees that this Agreement shall remain in effect in all respects, notwithstanding the discovery of such different or additional facts. In addition, Buyer understands and agrees that its agreements and covenants contained in this Agreement extend to all Claims of any nature and kind, known or unknown, suspected or unsuspected, based in whole or in part on facts existing in the past or as of the date hereof, and in that regard, Buyer acknowledges that it has read, considered and understands the provisions of Section 1542 of the California Civil Code which reads as follows:

Section 1542. General Release

A general release does not extend to claims which a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Based upon the advice of its counsel, Buyer knowingly and voluntarily waives and relinquishes any and all rights that it may have under Section 1542 as well as under the provisions of all comparable, equivalent, or similar statutes and principles of common law or other decisional law of any and all states of the United States or of the United States. Buyer understands and acknowledges the significance and consequences of this waiver and hereby assumes the risk of any injuries, losses or damages which may arise from such waiver.

7.3 Survival. The releases, covenants, agreements, and obligations of Buyer contained in Section 7.1 and Section 7.2 shall survive the termination of this Agreement or the Closing.

8. INDEMNITY. Buyer agrees and covenants, at its sole cost and expense, to indemnify, protect, defend and hold the PG&E Parties harmless, to the fullest extent permitted by law, from and against any and all Claims (including the payment of damages, both actual and consequential, the payment of penalties and fines, the payment of the actual fees and expenses of experts, attorneys and others, and the payment of the cost of environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remedial work and other "response costs" under CERCLA or any other Environmental Requirements) arising from or in any way connected with: (a) any inspection of the Facilities, or activities conducted in connection therewith by Buyer, its employees, agents, or contractors prior to the Closing, including Claims arising from the passive or active negligence of PG&E Parties; or (b) the ownership, possession, use or operation of the Facilities from and after the Closing; or (c) Potential Environmental Hazards relating to the Facilities or (d) the presence, disposal, dumping, escape, seepage, leakage, spillage, discharge, emission, pumping, emptying, injecting, leaching, pouring, release or threatened release of PCBs or any other Hazardous Substances which occur on or after the Closing Date in connection with the Facilities; or (e) violation of any Legal Requirements which occur on or after the Closing Date. Notwithstanding anything to the contrary in this Section 8, Buyer shall not be required to indemnify, protect, defend or hold PG&E Parties harmless from or against any Claims that are brought by current or former employees of PG&E, their heirs, beneficiaries, executors or administrators, and which relate to such employees' activities in connection with the Facilities within the scope of their

employment by PG&E. If any action or proceeding is brought against any one or more PG&E Parties for any Claim against which Buyer is obligated to indemnify or provide a defense hereunder, Buyer, upon written notice from PG&E, shall defend such action or proceeding at Buyer's sole expense by counsel approved by PG&E, which approval shall not be unreasonably withheld, conditioned or delayed. Buyer's obligation to defend the PG&E Parties includes the obligation to defend claims and participate in administrative proceedings, even if they are false or fraudulent. The covenants, agreements and obligations of Buyer contained in this Section 8 shall survive the termination of this Agreement or the Closing.

9. MISCELLANEOUS.

9.1 Time of Essence. Time is of the essence of this Agreement and each and every provision hereof.

9.2 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 Agreement.

9.3 Binding Effect; Assignment. This Agreement shall be binding upon, and shall inure to the benefit of, the heirs, successors and assigns of the parties hereto.

9.4 Severability. If any provision of this Agreement shall be unenforceable or invalid, the same shall not affect the remaining provisions of this Agreement and the provisions of this Agreement are intended to be and shall be severable; provided, however, if such unenforceability or invalidity alters the substance of this Agreement (taken as a whole) so as to deny either party, in a material way, the realization of the intended benefit of its bargain, such party may terminate this Agreement by notice to the other within thirty (30) Business Days after the final determination. If such party so elects to terminate this Agreement, PG&E and Buyer shall thereupon each be released from any obligations under this Agreement, except those that expressly survive termination.

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

9.6 Counterparts. This Agreement 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.

9.7 Notices. Any notice or other communication required or permitted under this Agreement 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 or Airborne Express, addressed to the parties as follows:

If to PG&E:

Errol Kissinger
Pacific Gas and Electric Company
P.O. Box 770000, Mail Code B10A
San Francisco, CA 94177

With a copy to:

Gail Slocum
Law Department
Pacific Gas and Electric Company
P.O. Box 7442, Mail Code B30A
San Francisco, CA 94120

If to Buyer:

John H. Goossens
St. Joseph Hospital of Eureka
2700 Dolbeer St.
Eureka, CA 95501

The date of any notice or communication shall be deemed to be the date of receipt if delivered personally, or the date of the receipt or refusal of delivery if transmitted by mail or overnight courier. Any party may change its address for notice by giving notice to the other party in accordance with this Section 9.7.

9.8 Attorneys' Fees. In the event that either party shall bring an action to enforce its rights under this Agreement, the prevailing party in any such proceeding shall be entitled to recover its reasonable attorneys' fees, costs and expenses (including accountants', consultants' or other professionals' fees, investigation expenses and any and all other out-of-pocket expenses), including in connection with any appeal thereof. Any such attorneys' fees and expenses incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment. For purposes hereof, the reasonable fees of in-house attorneys who perform services in connection with any such enforcement action are recoverable. The covenants of PG&E and Buyer contained in this Section 9.8 shall survive the termination of this Agreement or the Closing.

9.9 Limitation on Liability. Buyer expressly agrees that the obligations and liabilities of PG&E under this Agreement and any document referenced herein shall not constitute personal obligations of the officers, directors, employees, agents, affiliates, members, representatives, stockholders or other principals or representatives of PG&E. The limitations contained in this Section 9.9 shall survive the termination of this Agreement or the Closing.

9.10 Statute of Limitations. Any action by Buyer arising out of or in any way connected with the sale contemplated by this Agreement, whether sounding in tort, contract, strict liability or otherwise, must be commenced within two (2) years after the cause of action therefor has accrued.

9.11 Exhibits. The following Exhibits are attached hereto and incorporated by reference into this Agreement:

Exhibit A	Description of the Facilities
Exhibit B	Description of the Land
Exhibit C	Form of Bill of Sale

9.12 Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration in accordance with the

Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction. All arbitration proceedings shall be conducted in San Francisco, California. Each party in any proceeding shall bear its own costs. The substantive law applied in the arbitration shall be the laws of the State of California without regard to its conflict of law principles, unless the claims or defenses raise issues of federal law in which case federal substantive law shall apply to those particular claims or defenses. The arbitrator shall be bound to apply the substantive law, and shall also be empowered to hear and determine dispositive motions, including motions to dismiss and motions for summary judgment. The arbitrator shall not be authorized to award any damages not permitted under Section 9.12.

9.13 Interpretation. The language in all parts of this Agreement shall be construed according to its normal and usual meaning and not strictly for or against either PG&E or Buyer. The headings of the paragraphs of this Agreement are inserted solely for convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction of any terms or provisions hereof. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation."

9.14 Survival. The attorneys' fees provision, the limitation on liability, the waivers of the right of jury trial, the other waivers of claims or rights, the releases and the obligations of Buyer under this Agreement to indemnify, protect, defend and hold harmless PG&E Parties shall survive the termination of this Agreement or the Closing, and so shall all other obligations or agreements of PG&E or Buyer which by their terms survive the termination of this Agreement or the Closing or which by their nature arise or occur following the termination of this Agreement or the Closing.

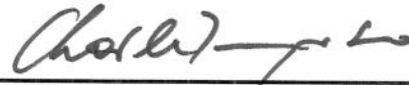
9.15 Authority. Each party represents and warrants that the execution, delivery and performance of this Agreement has been duly authorized by such party and each person signing this Agreement on its behalf is duly and validly authorized to do so.

9.16 Prior Agreements. This Agreement and the exhibits hereto contain the entire understanding of the parties relating to the subject matter hereto and shall supersede any prior written or oral agreements or communications between the parties pertaining to such subject matter.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

PG&E:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: 

Name: CHARLES TWAMUGASO

Its: SR. DIRECTOR, SUPPLY CHAIN

Date: 12-01-2008

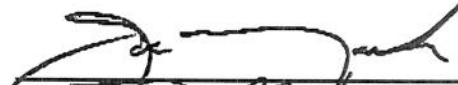
APPROVED AS TO FORM:



Attorney

BUYER:

ST. JOSEPH HOSPITAL OF EUREKA,
a California corporation

By: 

Name: Jose Mendez

Its: CEO

Date: 11/24/08

EXHIBIT A

DESCRIPTION OF THE FACILITIES

[See attached.]

Asset #	Sub	Account	Description	Qty	Year Installed
10023391	1978	0206	/FT Conduit Direct Buried 4" PVC	1,100	1978
10023391	1996	0206	/FT Conduit Direct Buried 4" PVC	600	1996
10023391	2005	0206	Underground Conduit (206)	1	2005
10023445	1978	0207	Underground Cable (207)	930	1978
10023445	1996	0207	Underground Cable (207)	420	1996
10023445	1996	0207	Underground Cable (207)	1,260	1996
10023445	2005	0207	Underground Cable (207)	110	2005
10023445	2005	0207	Underground Cable (207)	120	2005
10023445	2005	0207	Underground Cable (207)	330	2005
10023445	1978	0207	/FT Cbl Xlpe #700 AL 600V	2,790	1978

EXHIBIT B

DESCRIPTION OF THE LAND
[See attached.]

DEED

We, BERNARD T. ANDERSON and FRANCES J. ANDERSON, his wife,

GRANT to ST. JOSEPH HOSPITAL OF EUREKA, a corporation,

all that real property situated in the City of Eureka

County of HUMBOLDT, State of California, bounded and described as follows, to-wit:

BEGINNING at a point on the section line 108 feet north of the southeast corner of the northeast quarter of the southeast quarter of Section 26 in Township 5 North of Range 1 West, Humboldt Meridian;

and running thence north along the section line 90 feet to the southeast corner of the parcel of land deeded by Clement E. Morgan to Ernest Thomas by deed dated November 22 1920, recorded in Book 150 of Deeds page 428, Humboldt County records;

thence at right angles west along the south line of said Thomas parcel 660 feet;

thence north along the west line of same 132 feet;

thence south 89 degrees 39 minutes 30 seconds west 656.97 feet more or less to the west line of said northeast quarter of the southeast quarter of Section 26;

thence south 0 degrees 06 minutes east 330 feet to the south line of same subdivision;

thence north 89 degrees 39 minutes 30 seconds east along said south line 1071.55 feet;

thence north parallel with the east line of said section 108 feet;

and thence east 246 feet to the place of beginning.



WITNESS my hand this date: September 29th 1948

Bernard T. Anderson
Frances J. Anderson

FJS:mr

STATE OF CALIFORNIA, } ss.
County of Humboldt.

On this date: September 29th 1948 before me the undersigned
a notary public in and for said county, personally appeared BERNARD T. ANDERSON and
FRANCES J. ANDERSON

known to me to be the persons whose names S. & P.O. subscribed to the within instrument, and acknowledged to me
that they executed the same.

Witness my hand and official seal.

May 7 1948
Notary Public

10332

DEED

Bernard T. Anderson
Frances J. Anderson

- to -

St. Joseph Hospital
of Eureka

Dated September 29th 19 48

Filed for Record at the Request of

BELCHER ABSTRACT & TITLE CO.

October 28th 1948 at

2:32 o'clock *P.* M. and recorded

in Book 68 Official Records
of Deeds at page 495

Records of Humboldt County, California.

Emma A. Cox

Recorder.

Gabe J. Young
By Deputy Recorder.

Fee Paid \$ 1.70

FORM USED BY
BELCHER ABSTRACT & TITLE COMPANY

Order No. 6015

When recorded, return to

Wanda Bussman

Box 7

Eureka

Petroleum Survey

**BELCHER ABSTRACT &
TITLE COMPANY**

Humboldt and Del Norte Counties

OVER 60 YEARS
CONTINUOUS TITLE SERVICE

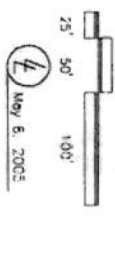
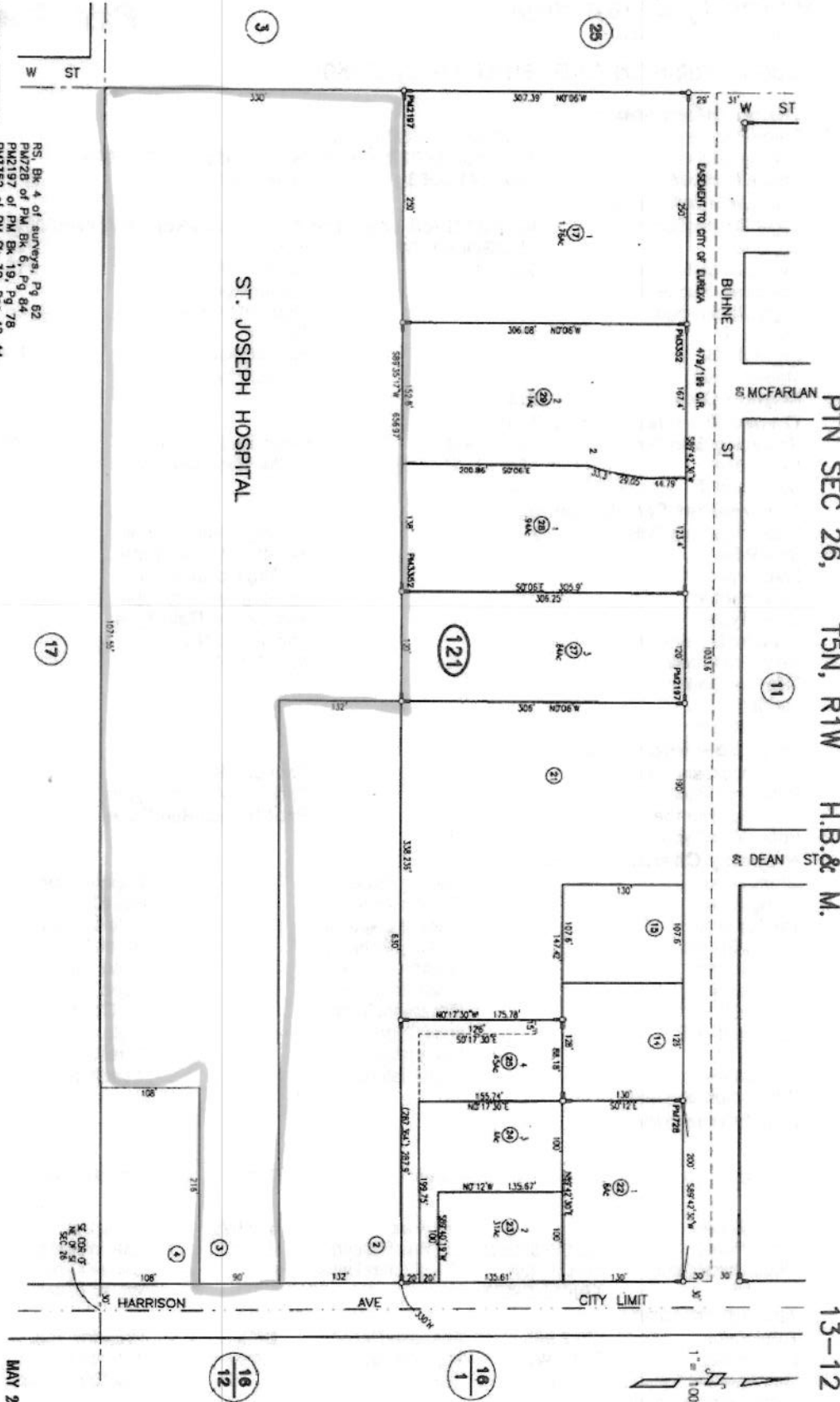
Phone 2737 Eureka, Calif.
Phone 1711 6th & H Sts. Crescent City

- ASSESSOR'S PARCEL MAP**
- 1 THE MAP HAS BEEN PREPARED FOR ASSessor's PURPOSES ONLY.
 - 2 NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN ON THIS MAP.
 - 3 ASSessor's PARCELS MAY NOT CORRELATE WITH THE PARCELS SHOWN ON BUILDING SITE DEMONSTRATIONS.

RS, BK. 4 of sunders, Pg 62
 PM4728 of PM, BK. 6, Pg 64
 PM42197 of PM, BK. 19, Pg 78
 PM3352 of PM, BK. 32, Pgs 42-44

NOTE - Assessor's Block Numbers Shown in Ellipses
 Assessor's Parcel Numbers Shown in Circles.

Assessor's Map Bk. 13, Pg. 12
 County of Humboldt, CA.



MAY 26 2005

4 May 6, 2005

Property Detail Report

For Property Located At

RealQuest.com

2600 HARRISON AVE, EUREKA CA 95501

Owner Information:

Owner Name: **ST JOSEPH HOSPITAL**
 Mailing Address: **2700 DOLBEER ST, EUREKA CA 95501-4736 C028**
 Phone Number: **(707) 441-0363** Vesting Codes: **//**

Location Information:

Legal Description: **B2 /POTTER & LAWRENCE AR & LAWRENCE A AAE0005C061786C C**
 County: **HUMBOLDT, CA** APN: **013-121-003-000**
 Census Tract / Block: **6.00 / 2** Alternate APN: **013-121-03**
 Township-Range-Sect: Subdivision: **/**
 Legal Book/Page: Map Reference: **/**
 Legal Lot: **3** Tract #: **/**
 Legal Block: **1** School District: **EUREKA UNIF**
 Market Area: Munic/Township:
 Neighbor Code: **013**

Owner Transfer Information:

Recording/Sale Date: **09/29/1948 /** Deed Type: **DEED (REG)**
 Sale Price: 1st Mtg Document #: **1900 495 680 495**

Last Market Sale Information:

Recording/Sale Date: **/** 1st Mtg Amount/Type: **/**
 Sale Price: 1st Mtg Int. Rate/Type: **/**
 Sale Type: 1st Mtg Document #: **/**
 Document #: 2nd Mtg Amount/Type: **/**
 Deed Type: 2nd Mtg Int. Rate/Type: **/**
 Transfer Document #: Price Per SqFt:
 New Construction: Multi/Split Sale:
 Title Company:
 Lender:
 Seller Name:

Prior Sale Information:

Prior Rec/Sale Date: **/** Prior Lender:
 Prior Sale Price: Prior 1st Mtg Amt/Type: **/**
 Prior Doc Number: Prior 1st Mtg Rate/Type: **/**
 Prior Deed Type:

Property Characteristics:

Gross Area:	Parking Type:	Construction:
Living Area:	Garage Area:	Heat Type:
Tot Adj Area:	Garage Capacity:	Exterior wall:
Above Grade:	Parking Spaces:	Porch Type:
Total Rooms:	Basement Area:	Patio Type:
Bedrooms:	Finish Bsmnt Area:	Pool:
Bath(F/H): /	Basement Type:	Air Cond:
Year Built / Eff: /	Roof Type:	Style:
Fireplace: /	Foundation:	Quality:
# of Stories:	Roof Material:	Condition:
Other Improvements:		

Site Information:

Zoning: Acres: **7.41** County Use: **SUBJECT TO EXEMPTION - IMPRVD (9961)**
 Flood Zone: **C** Lot Area: **322,979** State Use:
 Flood Panel: **0600620005C** Lot Width/Depth: **x** Site Influence:
 Flood Panel Date: **06/17/1986** Res/Comm Units: **/** Sewer Type:
 Land Use: **TAX EXEMPT** Water Type:

Tax Information:

Total Value:	\$212,645	Assessed Year:	2008	Property Tax:
Land Value:	\$146,363	Improve %:	031%	Tax Area: 003000
Improvement Value:	\$66,282	Tax Year:		Tax Exemption: MISC
Total Taxable Value:				

EXHIBIT C

FORM OF BILL OF SALE

DISTRIBUTION

REFERENCE

Original Buyer
Copy Division
Copy Svc. Plng.

ORDER NO.
AP NO.
SAP BD NO.
Wire Transfer No.

BILL OF SALE

Pursuant to that certain Purchase and Sale Agreement dated _____, 20__ (the "**Purchase Agreement**"), by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation ("**PG&E**"), and ST. JOSEPH HOSPITAL OF EUREKA, a California corporation, ("**Buyer**"), effective on the Closing Date (as defined in the Purchase Agreement), PG&E hereby sells, assigns, transfers, and delivers to Buyer all of PG&E's right, title and interest in and to the property described on **Exhibit A**, attached hereto and incorporated herein by this reference (collectively, the "**Facilities**").

THE FACILITIES ARE BEING TRANSFERRED "AS IS, WHERE IS, AND WITH ALL FAULTS" IN THEIR EXISTING CONDITION ON THE CLOSING DATE, WITHOUT ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND BY PG&E, EXPRESS, IMPLIED OR STATUTORY, AND WITHOUT RECOURSE AGAINST PG&E. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E EXPRESSLY DISCLAIMS: (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; AND (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR MATERIALS.

Notwithstanding the above paragraph, PG&E (i) warrants that upon CPUC Approval and execution and delivery of the Bill of Sale, Buyer shall have good title to the Facilities, free and clear of all liens and encumbrances except for the lien of the Mortgage and (ii) within a reasonable time after the Closing Date, PG&E shall cause the Facilities to be released from the lien of the Mortgage.

This Bill of Sale is executed pursuant to authorization contained in _____, dated _____, and is subject to all the terms and conditions of the Purchase Agreement.

IN WITNESS WHEREOF, PG&E has executed this Bill of Sale as of the date set forth below.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

Dated: _____

By: _____
Name: _____
Its: _____

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
Anderson & Poole	Douglass & Liddell	Pinnacle CNG Company
Arizona Public Service Company	Downey & Brand	Praxair
BART	Duke Energy	R. W. Beck & Associates
BP Energy Company	Duncan, Virgil E.	RCS, Inc.
Barkovich & Yap, Inc.	Dutcher, John	RMC Lonestar
Bartle Wells Associates	Ellison Schneider & Harris LLP	Recon Research
Blue Ridge Gas	Energy Management Services, LLC	SCD Energy Solutions
Braun & Associates	FPL Energy Project Management, Inc.	SCE
C & H Sugar Co.	Foster Farms	SESCO
CA Bldg Industry Association	Foster, Wheeler, Martinez	SMUD
CAISO	Franciscan Mobilehome	SPURR
CLECA Law Office	G. A. Krause & Assoc.	Santa Fe Jets
CSC Energy Services	GLJ Publications	Seattle City Light
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Cotton Ginners & Growers Assn	Green Power Institute	Sequoia Union HS Dist
California Energy Commission	Hanna & Morton	Sierra Pacific Power Company
California League of Food Processors	Heeg, Peggy A.	Silicon Valley Power
California Public Utilities Commission	Hitachi	Smurfit Stone Container Corp
Calpine	Hogan Manufacturing, Inc.	Southern California Edison Company
Cameron McKenna	Imperial Irrigation District	St. Paul Assoc.
Cardinal Cogen	Innercite	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Cerox	Intestate Gas Services, Inc.	TFS Energy
Chamberlain, Eric	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chevron Company	JTM, Inc.	Tecogen, Inc.
Chris, King	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
City of Palo Alto	MBMC, Inc.	TransCanada
City of San Jose	MRW & Associates	Turlock Irrigation District
Clean Energy Fuels	Manatt Phelps Phillips	U S Borax, Inc.
Coast Economic Consulting	Matthew V. Brady & Associates	United Cogen
Commerce Energy	McKenzie & Associates	Utility Cost Management
Commercial Energy	Meek, Daniel W.	Utility Resource Network
Constellation	Merced Irrigation District	Utility Specialists
Constellation New Energy	Mirant	Vandenberg Air Force
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
		White & Case
Day Carter Murphy	New United Motor Mfg., Inc.	eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	