

Final LCCP

November 14, 2013



Stewardship
Council

Land Conservation and Conveyance Plan

Kern River

Executive Summary

Subject

LCCP Kern River planning unit
Land Conservation Plan Identification Numbers (Parcel): 1073, 1074, and 1075 as shown on the map attached as Exhibit 1.

Type of Property Interest Disposition

- PG&E to retain fee simple title to the entire Kern River planning unit
- Sequoia Riverlands Trust (SRT) to hold the conservation easement

Summary

The Stewardship Council Board has recommended PG&E retain all 700 acres of land located in the Kern River planning unit. Pending approval from the California Public Utilities Commission (CPUC), PG&E and SRT will enter into the conservation easement that will encumber Parcel 1073, 1074, and 1075.

Property Location

The Kern River planning unit is located on the lower Kern River in Kern County, approximately 15 miles northeast of Bakersfield. The Kern River and Highway 178 traverse the planning unit. The Sequoia National Forest adjoins the planning unit to the north and east and the unit is 32 miles downstream of Lake Isabella, a US Army Corps of Engineers-operated reservoir.

Economic Uses and Agreements

Several recorded easements for electrical and communication facilities and incidental purposes encumber parcels 1073 and 1074. Also recorded on these parcels is an additional easement for State Highways, a reservation of rights for pasturing and watering livestock as well as an easement for undisclosed purposes. The mineral rights on parcel 1074 have been reserved.

The conservation easement will honor the existing agreements for economic uses.

Preserving and/or Enhancing the Beneficial Public Values

The Land Conservation Commitment provides that, “PG&E shall ensure that the Watershed Lands it owns... are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values. PG&E will protect these beneficial public values associated with the Watershed Lands... from uses that would conflict with their conservation. PG&E recognizes that such lands are important to maintaining the quality of life of local communities and all the people of California in many ways, and it is PG&E’s intention to

protect and preserve the beneficial public values of these lands under the terms of any agreements concerning their future ownership or management.”¹

The conservation easement on the Kern River property will ensure the permanent protection and preservation of the following Beneficial Public Values:

- Habitat for plants and animals that are native to the area, including species protected under the California Endangered Species Act and/or the federal Endangered Species Act;
- Scenic character of the property, as viewed from Highway 178 and turnouts along that highway;
- Watershed values, such as well-vegetated stream banks, that help maintain water quality and aquatic habitats;
- Outdoor recreation such as fishing, wading, and picnicking; and
- Historical and cultural values, to the extent they are protected by state and federal law, including artifacts related to Native American uses and development of the hydro-electric generating facilities on the property.

Tax Neutrality

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

Hazardous Waste Disclosure

The Kern River Environmental Site Assessment Report dated August 17, 2011 has been provided to Sequoia Riverlands Trust, fulfilling the disclosure requirements of the Land Conservation Commitment.

Consideration of Parcel Split

The entire planning unit will be retained by PG&E and no parcel split is being proposed.

Applicable CEQA exemption(s) or reason why transaction is not a “project under CEQA”

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

Furthermore, no physical change will occur as a result of the Kern River conservation easement transaction, therefore the Stewardship Council does not believe the transaction to be a project under CEQA.

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

Exhibit 1. Map of the Property

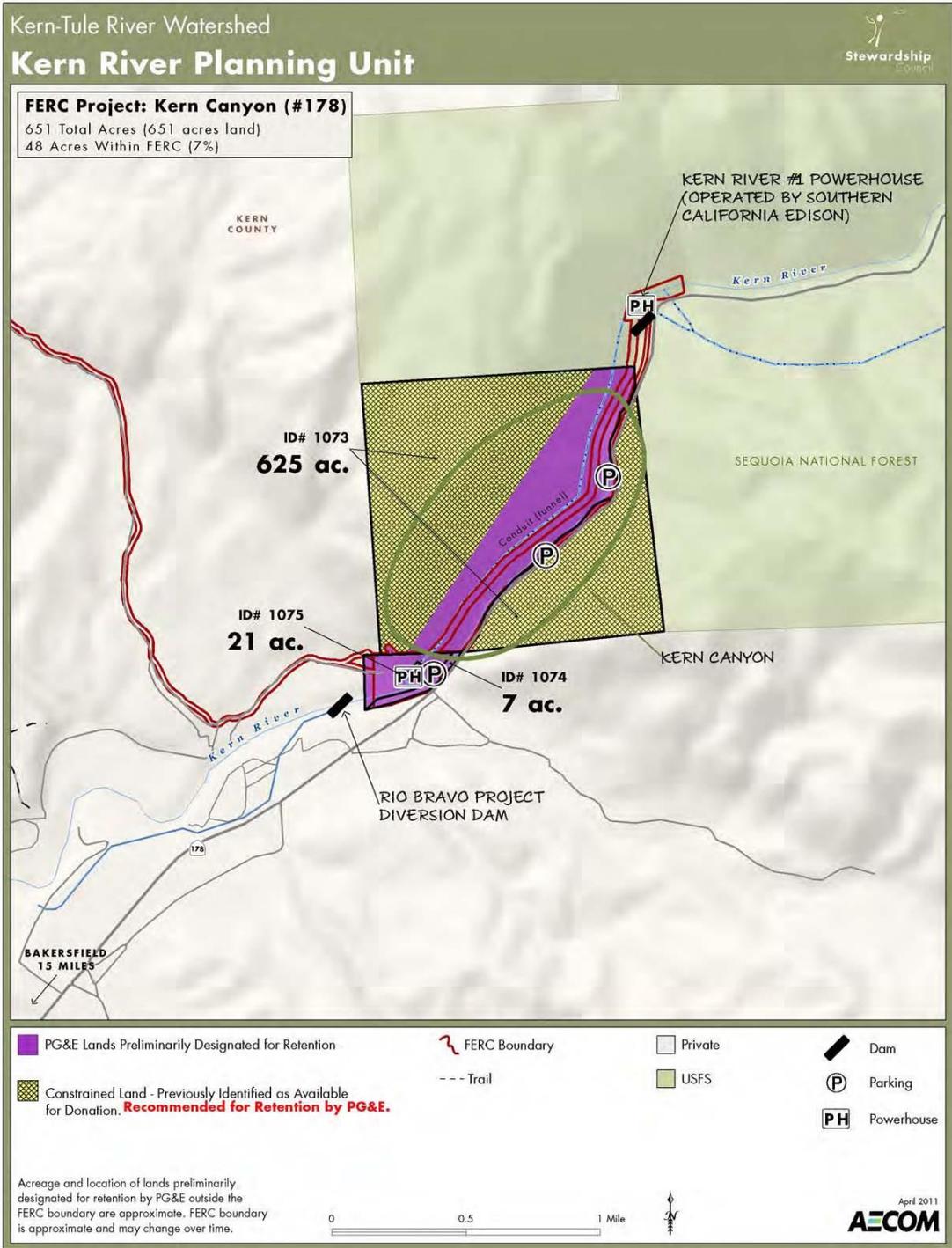


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Introduction

The Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council) is a private, nonprofit foundation established in 2004 as part of PG&E Settlement Agreement D.03-12-035 with the California Public Utilities Commission (CPUC) and the Stipulation Resolving Issues Regarding the Land Conservation Commitment I.02-04-026 (Settlement and Stipulation). 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 donation 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 to PG&E for preserving and/or enhancing the BPVs of the Watershed Lands, and are intended to support required regulatory approvals of the land transactions resulting from the Stewardship Council's recommendations. The content of the LCCP spans a number of issues required by the Settlement and Stipulation, such as an express reservation of a right for continued operation and maintenance of hydroelectric facilities and associated water delivery facilities, including project replacements and improvements required to meet existing and future water delivery requirements for power generation and consumptive water use by existing users, compliance with any Federal Energy Regulatory Commission (FERC) license, FERC license renewal, or other regulatory requirements. In addition, conservation easements will honor existing agreements for economic uses, including consumptive water deliveries, and preserve or enhance reasonable public access to the Watershed Lands.

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

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

The Stewardship Council Board of Directors recommends that PG&E retain the entire 700 acre Kern River planning unit in fee and that the Sequoia Riverlands Trust hold the conservation easement encumbering Land Conservation Plan Identification Numbers (Parcels) 1073, 1074 and 1075.

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

Table 1-1 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) Recommendations for Conservation Easement and Fee Simple 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

The Kern River planning unit contains Parcels 1073, 1074 and 1075, comprising approximately 700 acres. Fee ownership of all parcels will be retained by PG&E and, consistent with the conditions in the Settlement Agreement, will be subject to a perpetual conservation easement, granted by PG&E to Sequoia River Land Trust as described in Chapter 3 (pg. 11).

The planning unit is located on the lower Kern River in Kern County, approximately 15 miles northeast of downtown Bakersfield. The Kern River and Highway 178 traverse the planning unit.

The upstream portion of the planning unit is within the Kern River Canyon, characterized by steep, partially grass-covered, rocky slopes rising as much as 1,800 feet above the river. The Kern Canyon Powerhouse is located downstream, just below the mouth of the canyon, where the landscape changes to open, rolling grasslands.

Adjacent and Nearby Landowners

The Sequoia National Forest adjoins the planning unit to the north and east. The U.S. Forest Service expressed an interest in receiving fee title to the Kern River planning unit but later withdrew interest. Private landowners own much of the land surrounding the property.

Existing Economic Uses and Agreements

Several recorded easements for electrical and communication facilities and incidental purposes encumber parcels 1073 and 1074, as well as an easement for State Highway 178. The mineral rights on parcel 1074 have been reserved and an independent consultant will evaluate the likelihood of those rights being exercised.

PG&E reserves rights in the conservation easement to maintain and operate existing and future utility facilities over portions of the parcel. 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 Kern River planning unit that the Stewardship Council Board approved in LCP Volume II as well as a description of how the conservation easement supports each objective and preserves and/or enhances the BPVs.

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.

The conservation easement (Appendix 2, page 25) will permanently protect habitat by restricting development and limiting the landowner’s uses to those that are consistent with the protection of the BPVs on the property.

2. Objective: Preserve open space in order to protect natural and cultural resources, as well as viewsheds.

The conservation easement will ensure that Kern River planning unit will remain as open space for the benefit of the public as no further development will occur unless specifically permitted by the conservation easement. One of the BPVs to be protected by the Kern River conservation easement is the scenic character of the Property, including viewsheds from adjoining public lands.

3. Objective: Enhance recreational facilities in order to provide safe and appropriate recreation use.

The conservation easement lists recreational access and use for fishing, wading and picnicking as a BPV ensuring its protection and preservation in perpetuity. 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 Hydro Reserved Rights and the landowner’s right to make reasonable rules and regulations.

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

4. Objective: Identify potential grazing opportunities in order to enhance agricultural resources and related economic benefits.

There is currently no agricultural use within the planning unit.

5. Objective: Identify cultural resources in order to ensure their protection

The conservation easement includes historical and cultural resources as a protected BPV, including artifacts and plants related to historic Native American uses.

3. Recommendations for Conservation Easement and Fee Simple Retention by PG&E

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.

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, p. 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 Sequoia Riverlands Trust will hold the conservation easement over the Kern River planning unit. The qualifications of the Sequoia Riverlands Trust are described in Chapter 4.

Accordingly, immediately following the Section 851 approval of PG&E’s grant of a conservation easement over the Kern River planning unit, PG&E and the Sequoia Riverlands Trust will execute the conservation easement and it will be recorded.

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. In all cases, however, Watershed Lands will be

conserved via a conservation easement or satisfactory assurance in another form and the parcel will be managed consistent with the purpose of the Land Conservation Commitment. See Appendix 4 for a description of PG&E's Land Conservation Commitment.

At Kern River planning unit, 603 acres located outside the FERC Project boundary were made available for donation.

Lands to be Retained by PG&E

The entire 700 acre planning unit (Parcels 1073, 1074 and 1075) will be retained in fee by PG&E.

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 below, the Stewardship Council board made the following recommendations on March 30, 2011:

- Sequoia Riverlands Trust to hold the conservation easement on all lands in the Kern River Planning Unit.
- PG&E to retain fee simple title to the entire property.

Capacity of Selected Organizations

The Stewardship Council Board finds that the Sequoia Riverlands Trust has the funding and capacity to maintain the property interest so as to preserve and/or enhance the BPVs. At the time of the Board's recommendation of the land trust as a conservation easement holder, the following was noted:

- The Sequoia Riverlands Trust was established in 1993 to protect working landscapes, wildlife habitat, and scenic open space while ensuring that the economic growth in their communities remains vibrant and sustainable.
- The Sequoia Riverlands Trust is an experienced conservation easement holder and has a well-developed conservation easement program. The Sequoia Riverlands Trust owns six preserves totaling over 4,000 acres and holds 20 conservation easements in Fresno, King, Tulare, and Kern counties.
- With offices in Visalia, California, the Sequoia Riverlands Trust has nine full-time staff, five part-time staff, and twelve board members.
- The Sequoia Riverlands Trust has established policies regarding the monitoring and enforcement of conservation easements. It follows standards and best practices developed by the Land Trust Alliance.
- The Sequoia Riverlands Trust will receive adequate funding from the Stewardship Council to monitor the conservation easement at Kern River in perpetuity. In addition, the Sequoia Riverlands Trust will receive a contribution from the Stewardship Council for its conservation easement legal defense fund.

Donee Selection Process:

The Settlement Agreement states that the selected conservation easement holders must have the experience and expertise to fully and strictly implement the conservation easement (see Appendix 4). Moreover, as outlined in the Stipulation, there must be a finding that the intended donee of the conservation easement and fee title have the

funding and other capacity to maintain that property interest so as to preserve and/or enhance the BPVs.³

At the request of the Stewardship Council Board, Stewardship Council staff performed an evaluation of certain lands previously identified as available for donation focusing on adjacent land ownership. Parcels bounded on two sides or more by an adjacent land owner were identified and the adjacent land owner further evaluated to determine whether the entity was an eligible donee pursuant to the PG&E Settlement and Stipulation.

Based on this evaluation, and provided that the Kern River Property is bordered on two sides by the Sequoia National Forest, on October 20, 2010, following a public comment period, the Stewardship Council Board recommended the USFS for a donation of fee title to the Kern River Property. However, shortly thereafter, the USFS declined to accept fee title.

After having investigated the level of interest, eligibility, and capacity of other entities who registered on the Stewardship Council's Interested Donee Registry for Kern River, the Stewardship Council took action to recommend that PG&E retain the entire planning unit. In addition, based on an evaluation of experienced conservation easement holders that operate in the geographic area of the planning unit, the Stewardship Council made the recommendation of Sequoia Riverlands Trust to hold the conservation easement over all of the lands in the Kern River planning unit.

Based upon the SOQ submitted by Sequoia Riverlands Trust and additional information SRLT was: (a) 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 lands sought within the planning unit; and, (c) appeared to be capable of satisfying the requirements of the Settlement and Stipulation to acquire the conservation easement.

³ Stipulation, Section 12 (a)(4).

5. Analysis of Tax and Other Economic and Physical Impacts

The Settlement and Stipulation require that the LCP provide an analysis of tax and other economic and physical impacts of each disposition 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 will be tax neutral for each county.

Property Tax Analysis

PG&E is retaining fee title ownership of all 700 acres within the Kern River planning unit and as such, PG&E will continue to pay property taxes to Kern County as assessed by the State Board of Equalization. As there are no other Watershed Lands within the county, the totality of dispositions within Kern County is tax neutral.

Other Economic and Physical Impacts

The Settlement and Stipulation require an analysis of the physical and economic impacts of each disposition. The transaction terms for the Kern River 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 the Sequoia Riverlands Trust 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, page 25.

6. Hazardous Waste Disclosure

The Stipulation states that in the disposition 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.

Lands to be Retained by PG&E

PG&E is retaining fee title ownership of the entire Kern River planning unit and has prepared a Summary of Potential Environmental Issues on Land to be Retained developed by AMEC Geomatrix, Inc., dated August 17, 2011. The report has been provided to the conservation easement holder in fulfillment of the disclosure requirements of the Land Conservation Commitment.

7. Consideration of Parcel Split

The Stewardship Council Board recommended PG&E retain fee title ownership of the entire 700 acre planning unit. Therefore, there is no need for a parcel split.

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.

At this time, there are no physical enhancements proposed by the Stewardship Council for the Kern River planning unit. However, the Stewardship Council is developing a grant program to fund enhancements on the Watershed Lands in the future. Grant funding will be available to accomplish any number of potential future enhancements such as trails, restoration, day use areas, and other public access improvements. These potential future enhancements would have to be acceptable to PG&E and the conservation easement holder.

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 LCP state programmatically a plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures. Each 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 with each conservation easement holder whereby the holder will receive a monitoring and enforcement endowment from the Stewardship Council to fund its monitoring activities.

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

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

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

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

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

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

10. Implementation Schedule for Transaction and Measures

Schedule for Transaction

- FERC review and approval (2014)
- CPUC review and approval (2014)
- Close of escrow (2015)
- Stewardship Council release of funds to conservation easement holder (2014)

Compliance with Local Land Use Planning Requirements

Future management of the land is anticipated to comply with all County or City ordinances and/or General Plan policies.

Appendix 1: Summary of Public Outreach

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 proposed Land Conservation and Conveyance Plan (LCCP) being 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 proposed LCCP being 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.
- 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

Appendix 1: Summary of Public Outreach

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.

KERN RIVER 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 Kern River 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.

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 watershed 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 Kern River Planning Unit to a Public Information Meeting that was held in Clovis on April 21, 2011. In addition, simultaneous with the release of the proposed subject LCCP for public comment, adjacent landowners located within one mile of the subject parcel 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 Southern Sierra watersheds was hosted by the Stewardship Council on April 21, 2011, in Clovis, California. The meeting concerned seven planning units: Auberry Service Center, Bass Lake, Kerckhoff Lake, Kern River, Kings River, Manzanita Lake, and Wishon Reservoir. Attendees at the workshop included a total of 19 individuals representing a wide variety of interests including local, state, federal entities, and community organizations. The meeting was advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to the local newspaper, and a postcard sent to all landowners on record located within one mile of any PG&E parcel associated with the Kern River 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 seven

Appendix 1: Summary of Public Outreach

planning units. Stations were set up with maps, other pertinent information, and easels with blank paper to receive attendee comments on specific planning units. No comments specific to the Kern River planning unit were received.

IV. 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.

V. 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.

No public comments were received by staff concerning the recommendations of fee and conservation easement holder at the Kern River planning unit which were considered at the September 16, 2010 and March 30, 2011 public board meetings respectively.

VI. 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 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

Appendix 1: Summary of Public Outreach

Stewardship Council's database, a posting on the Stewardship Council's web site, and an advertisement placed in local newspapers. 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 parcel. 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.

VII. STEWARDSHIP COUNCIL BOARD OF DIRECTORS MEETINGS

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

Appendix 2: Conservation Easement

RECORDING REQUESTED BY	
WHEN RECORDED MAIL TO	
(Space Above this Line for Recorder's Use)	
A.P.N. _____	Date: _____

DEED OF CONSERVATION EASEMENT AND AGREEMENT
(KERN RIVER PLANNING UNIT)

Between

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

and

SEQUOIA RIVERLANDS TRUST, a California non-profit public benefit corporation,
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.

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**DEED OF CONSERVATION EASEMENT AND AGREEMENT
(KERN RIVER 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 SEQUOIA RIVERLANDS TRUST, a California non-profit public benefit corporation ("**Grantee**"), with reference to the following facts:

RECITALS

A. The Property. Grantor is the owner of approximately 700 acres of real property located in Kern 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."

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H. Grantee Qualified Nonprofit Organization. Grantee is a tax-exempt nonprofit organization qualified under §501(c)(3) of the Internal Revenue Code and is eligible to acquire and hold a perpetual conservation easement pursuant to §815.3(a) 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.

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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.

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

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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;

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(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

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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. 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) and Informal Uses on the Property that are substantially consistent with the public access and Informal Uses 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 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 Actions and Permitted Actions) 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.

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 Actions and Permitted Actions) 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.

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 public, corporate, or other authority, whether permanent or temporary, of all or any portion of the Property (or the proceeds of private sale in lieu thereof), so as to abrogate the restrictions imposed by 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 the each parties 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

Appendix 2: Conservation Easement

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. 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: Senior Director & Lead Counsel, Corporate and
Commercial Group (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: Senior Director & Lead Counsel, Corporate and
Commercial Group (Real Estate)
Re: Land Conservation Commitment

Appendix 2: Conservation Easement

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

Executive Director
Sequoia Riverlands Trust
427 South Garden Street
Visalia, CA 93277

If by personal delivery or overnight courier:

Executive Director
Sequoia Riverlands Trust
427 South Garden Street
Visalia, CA 93277

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

Appendix 2: Conservation Easement

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 1002, 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

Appendix 2: Conservation Easement

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.

Appendix 2: Conservation Easement

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.

Appendix 2: Conservation Easement

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:

SEQUOIA RIVERLANDS TRUST,
a California non-profit public benefit
corporation

By: _____

Its: _____

PG&E ADMINISTRATIVE BLOCK
(Kern River [Canyon] Planning Unit)

Area 4, Kern Division
Fresno Land Surveying & Engineering Support
Land Management – Hydro Support
Operating – Hydro
MDM; T.28S., R.30E.
Section 31; All (LCPID: 1073)
MDM, T.29S., R.30E.
Section 6; N2 of NE4 (LCPID: 1074)
FERC License #: 178
PG&E Drawing #: N/A
Plat No.: N/A
LD# of Any Affected Document: 2228-30-0022; 0024; 0025, 0026 (LCPID: 1073)
2229-30-0021 (LCPID: 1074)
LD# if Any Cross-referenced Documents: N/A
Type of Interest: 1, 11c, 11f, 11p, 24
SBE Parcel#: 135-15-049-1 & 2 (LCPID: 1073); 135-15-047-2 (LCPID: 1074)
% of Quitclaim: N/A
Order# 2015009
JCN: N/A
County: Kern
Utility Notice#: N/A
851 Approval Application: N/A; Decision: N/A
Prepared By: JJW2
Checked By: JJW2
Revision#: N/A

Appendix 2: Conservation Easement

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

On _____, before me, _____, 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.

Notary Public

(Seal)

Appendix 2: Conservation Easement

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

On _____, before me, _____, 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.

Notary Public

(Seal)

Appendix 2: Conservation Easement

EXHIBIT A

Legal Description of Property

THE LAND DESCRIBED HEREIN IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF KERN, UNINCORPORATED AREA, AND IS DESCRIBED AS FOLLOWS:

PARCEL ONE:

X178-CFX-00001

SBE 135-15-49-1, 135-15-49-2

LCP ID#1073

ALL THOSE CERTAIN PARCELS OF LAND SITUATE IN SECTION 31, TOWNSHIP 28 SOUTH, RANGE 30 EAST, MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED IN BOOK 99 PAGES 450, 452 AND 454 OF DEEDS OF COUNTY OF KERN, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

ALL OF SECTION 31, TOWNSHIP 28 SOUTH, RANGE 30 EAST, MOUNT DIABLO BASE AND MERIDIAN.

A.P.N. 094-070-08 AND 094-070-09

PARCEL TWO:

X178-CFX-00002

SBE 135-15-47-2

LCP ID#1074

PORTION OF SECTION 6, TOWNSHIP 29 SOUTH, RANGE 30 EAST, MOUNT DIABLO BASE AND MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT AN IRON BAR ON THE NORTH LINE OF SAID SECTION 6, SAID POINT OF BEGINNING BEING NORTH 89 ° 05' EAST, 58 FEET FROM THE NORTH QUARTER CORNER OF SAID SECTION 6 AND RUNNING THENCE SOUTH 1,087.2 FEET TO AN IRON BAR "A" AND 10 FEET FROM THE TOP OF THE BLUFF ON THE SOUTH BANK OF THE KERN RIVER AND FROM WHICH IRON BAR THE CONCRETE BASE OF A TELEPHONE POLE BEARS SOUTH 17 ° 43' WEST 134.7 FEET; THENCE FOLLOWING THE TOP OF THE BLUFF ON THE SOUTH BANK OF THE KERN RIVER AND 10 FEET THEREFROM WITH THE FOLLOWING COURSES AND DISTANCES:

NORTH 82 ° 39' EAST, 350.86 FEET TO AN IRON BAR "B"; NORTH 71 ° 53' EAST 832.61 FEET TO AN IRON BAR "C"; THENCE NORTH 57 ° 06' EAST, 328.89 FEET TO AN IRON PIN "D" IN THE ROAD LEADING TO THE CALIFORNIA EDISON POWER HOUSE; THENCE ALONG SAID ROAD NORTH 17 ° 20' WEST, 85.82 FEET TO AN IRON BAR "E" FROM WHICH BAR THE SOUTHMOST CORNER A CALIFORNIA EDISON TRANSMISSION TOWER BEARS NORTH 44 ° 45' EAST, 16.55 FEET; THENCE CONTINUING ALONG SAID ROAD AND ALONG THE SOUTH BANK OF THE KERN RIVER; NORTH 57 ° 20' EAST, 268.90 FEET TO AN IRON PIN "F"; NORTH 33 ° 18' EAST, 290.21 FEET TO AN IRON PIN "G" AND NORTH 51 ° 09' EAST, 266.34 FEET TO AN IRON PIN "H" IN THE NORTH LINE OF SECTION 6 FROM WHICH PIN AN IRON BAR ON THE LOWER SIDE OF THE ROAD BEARS SOUTH 89 ° 05' WEST, 16.3 FEET; THENCE ALONG SAID NORTH LINE OF SAID SECTION 6, SOUTH 89 ° 05' WEST, 1983.4 FEET TO THE PLACE OF BEGINNING.

Appendix 2: Conservation Easement

EXCEPTING THEREFROM THE PARCEL OF LAND DESCRIBED IN THE DEED TO POWER DEVELOPMENT COMPANY RECORDED JANUARY 13, 1896, BOOK 61 OF DEEDS PAGE 50, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT ON THE SEVENTH STANDARD PARALLEL SOUTH, MOUNT DIABLO BASE AND MERIDIAN, 4057.3 FEET EAST OF THE NORTHWEST CORNER OF SECTION 6 TOWNSHIP 29 SOUTH, RANGE 30 EAST, MOUNT DIABLO BASE AND MERIDIAN; THENCE SOUTH 30 ° 34' WEST, 47.5 FEET TO A POINT; THENCE SOUTH 36 ° 24' WEST, 75.1 FEET TO A POINT; THENCE SOUTH 53 ° 26' WEST, 71.6 FEET TO A POINT; THENCE SOUTH 76 ° 48' WEST, 40.4 FEET TO A POINT; THENCE SOUTH 34 ° 15' WEST, 41.7 FEET TO A POINT; THENCE SOUTH 59 ° 18' WEST, 49.1 FEET TO A POINT; THENCE NORTH 87 ° 07' WEST, 81 FEET TO A POINT; THENCE SOUTH 48 ° 27' WEST, 321.3 FEET TO A POINT BEING THE NORTHEAST CORNER OF THE POWER HOUSE SITE, BEING THE TRUE POINT OF BEGINNING; THENCE FROM SAID TRUE POINT OF BEGINNING SOUTH 21 ° 41' EAST, 162 FEET TO A POINT MARKED WITH A CROSS IN RED PAINT ON A GRANITE BOULDER, FROM WHICH A WASHED HOLE 12 INCHES IN DIAMETER AND 12 INCHES DEEP IN A LARGE GRANITE BOULDER MARKED "WC" WITH RED PAINT, BEARS NORTH 11 ° 30' EAST, DISTANT 15 FEET; THENCE SOUTH 75 ° 30' WEST, 282 FEET TO A POINT IN A NEST OF BOULDERS, MARKED "SW" ON THE NORTH SIDE OF A GRANITE BOULDER FROM WHICH A LIVE OAK TREE 17 INCHES IN DIAMETER BEARS SOUTH 85 ° WEST, 180 FEET; THENCE NORTH 282 FEET TO A POINT FROM WHICH THE NORTHWEST CORNER OF SAID SECTION 6 BEARS NORTH 83 ° 49' WEST, 3301.4 FEET; THENCE SOUTH 74 ° 09' EAST, 222 FEET TO THE POINT OF BEGINNING.

ALSO EXCEPTING THEREFROM, ALL MINERALS AND MINERAL RIGHTS, INCLUDING OIL, GAS ASPHALTUM AND OTHER HYDROCARBON SUBSTANCES, IN, ON, UNDER AND ABOUT SAID PREMISES HEREINABOVE DESCRIBED AND THE RIGHT TO DEVELOP, EXTRACT AND REMOVE THE SAME FROM, AND TO BORE AND DIG THEREFOR UPON, IN AND UNDER SAID PREMISES AND TO SINK, WELLS, SHAFTS AND DRIFTS AND TO CONDUCT ANY AND ALL OTHER OPERATIONS WHICH THE SAID PARTY OF THE FIRST PART ITS SUCCESSORS OR ASSIGNS MAY DEEM NECESSARY AND TO ERECT, MAINTAIN, USE AND OPERATE UPON AND ACROSS AND TO CHANGE THE LOCATION OF AND REMOVE FROM SAID PREMISES, ANY AND ALL BUILDINGS, EQUIPMENT, TANKS, MACHINERY, PIPELINES, POWER LINES, TELEGRAPH OR TELEPHONE LINES WITH THE NECESSARY POLES AND ADJUNCTS, DITCHES OR OTHER STRUCTURES OR CONSTRUCTIONS WHICH THE PARTY OF THE FIRST PARTY, ITS SUCCESSORS OR ASSIGNS MAY DEEM SUITABLE OR CONVENIENT FOR THE EXTRACTION, MINING, HANDLING, STORING, TRANSPORTATION OR OTHER TREATMENT OF PETROLEUM, OIL OR OTHER HYDROCARBON SUBSTANCES BY WHATEVER MEANS KNOWN OR OTHER MINERALS OF ANY KIND OR NATURE AND THE RIGHT TO TRANSPORT ANY PETROLEUM, OIL OR OTHER HYDROCARBON SUBSTANCES OR MINERALS, WHETHER OBTAINED FROM SAID PREMISES OR FROM OTHER LANDS, ACROSS SAID PREMISES AND THE RIGHT OF EGRESS FROM AND INGRESS TO SAID PREMISES, AND ALL PROPER RIGHTS OF WAY OVER SAID PREMISES AND THE RIGHT TO A REASONABLE USE OF WATER NECESSARY FOR THE ENJOYMENT OF THE RIGHTS AS EXCEPTED AND RESERVED FROM THE DEED FROM H. AND W. PIERCE, INCORPORATED RECORDED OCTOBER 18, 1913, BOOK 285 OF DEEDS PAGE 231.

A.P.N. 397-020-21 PORTION, AND 397-020-22

PARCEL THREE:

X-178-CFX-00003
SBE 135-15-47-1
LCP ID#1075

THE PARCEL OF LAND DESCRIBED IN THE DEED TO POWER DEVELOPMENT COMPANY, RECORDED JANUARY 13, 1896, IN BOOK 61 OF DEEDS PAGE 50 DESCRIBED AS FOLLOWS:

Appendix 2: Conservation Easement

COMMENCING AT A POINT ON THE SEVENTH STANDARD PARALLEL SOUTH, MOUNT DIABLO BASE AND MERIDIAN, 4,057.3 FEET EAST OF THE NORTHWEST CORNER OF SECTION 6, TOWNSHIP 29 SOUTH, RANGE 30 EAST, MOUNT DIABLO BASE AND MERIDIAN; THENCE SOUTH 30 ° 34' WEST, 47.5 FEET TO A POINT; THENCE SOUTH 36 ° 24' WEST, 75.1 FEET TO A POINT; THENCE SOUTH 53 ° 26' WEST, 71.6 FEET TO A POINT; THENCE SOUTH 76 ° 48' WEST, 40.4 FEET TO A POINT; THENCE SOUTH 34 ° 15' WEST, 41.7 FEET TO A POINT; THENCE SOUTH 59 ° 18' WEST, 49.1 FEET TO A POINT; THENCE NORTH 87 ° 07' WEST, 81 FEET TO A POINT; THENCE SOUTH 48 ° 27' WEST, 321.3 FEET TO A POINT BEING THE NORTHEAST CORNER OF THE POWER HOUSE SITE, BEING THE TRUE POINT OF BEGINNING; THENCE FROM SAID TRUE POINT OF BEGINNING, SOUTH 21 ° 41' EAST, 162 FEET TO A POINT MARKED WITH A CROSS IN RED PAINT ON A GRANITE BOULDER, FROM WHICH A WASHED HOLE 12 INCHES IN DIAMETER AND 12 INCHES DEEP IN A LARGE GRANITE BOULDER MARKED "WC" WITH RED PAINT, BEARS NORTH 11 ° 30' EAST, DISTANT 15 FEET; THENCE SOUTH 75 ° 30' WEST, 282 FEET TO A POINT IN A NEST OF BOULDERS, MARKED "SW" ON THE NORTH SIDE OF GRANITE BOULDER FROM WHICH A LIVE OAK TREE 17 INCHES IN DIAMETER BEARS SOUTH 85 ° WEST, 180 FEET; THENCE NORTH 282 FEET TO A POINT FROM WHICH THE NORTHWEST CORNER OF SAID SECTION 6 BEARS NORTH 83 ° 49' WEST, 3301.4 FEET; THENCE SOUTH 74 ° 09' EAST, 222 FEET TO THE POINT OF BEGINNING.

A.P.N. 397-020-21 PORTION

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 Kern Canyon FERC Project (FERC Project No. 178), which primarily serves as a point of water diversion from the Kern River into a conduit which transports the water southwesterly to the Kern Canyon Powerhouse, 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 Kern Canyon FERC Project (FERC Project No. 178), including, but not limited to, the following existing and future improvements: the Kern Canyon powerhouse, the Kern Canyon Tunnel, penstock, water conduit, and associated infrastructure facilities; facilities necessary for the operation of the Kern Canyon Powerhouse; 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

Appendix 2: Conservation Easement

(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 Kern River Planning Unit 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 plants and animals that are native to the area, including species protected under the California Endangered Species Act and/or the federal Endangered Species Act. 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) Scenic character of the property, as viewed from Highway 178 and turnouts along that highway.
- (c) Watershed values, such as well-vegetated stream banks, that help maintain water quality and aquatic habitats.
- (d) Outdoor recreation such as fishing, wading and picnicking.
- (e) Historical and cultural values, to the extent they are protected by state and federal law, including artifacts related to Native American uses and the original development of hydro-electric generating facilities on the property.

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.

Appendix 2: Conservation Easement

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 §873.210 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.

Appendix 2: Conservation 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

Appendix 2: Conservation Easement

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

Appendix 2: Conservation Easement

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, Section 4, or (d) with Grantee's prior written approval in accordance with Section 7, as required. Except for Required Actions provided in Section 7, there shall be no introduction on the Property of any of the plants identified on Exhibit J.

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

Appendix 2: Conservation Easement

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

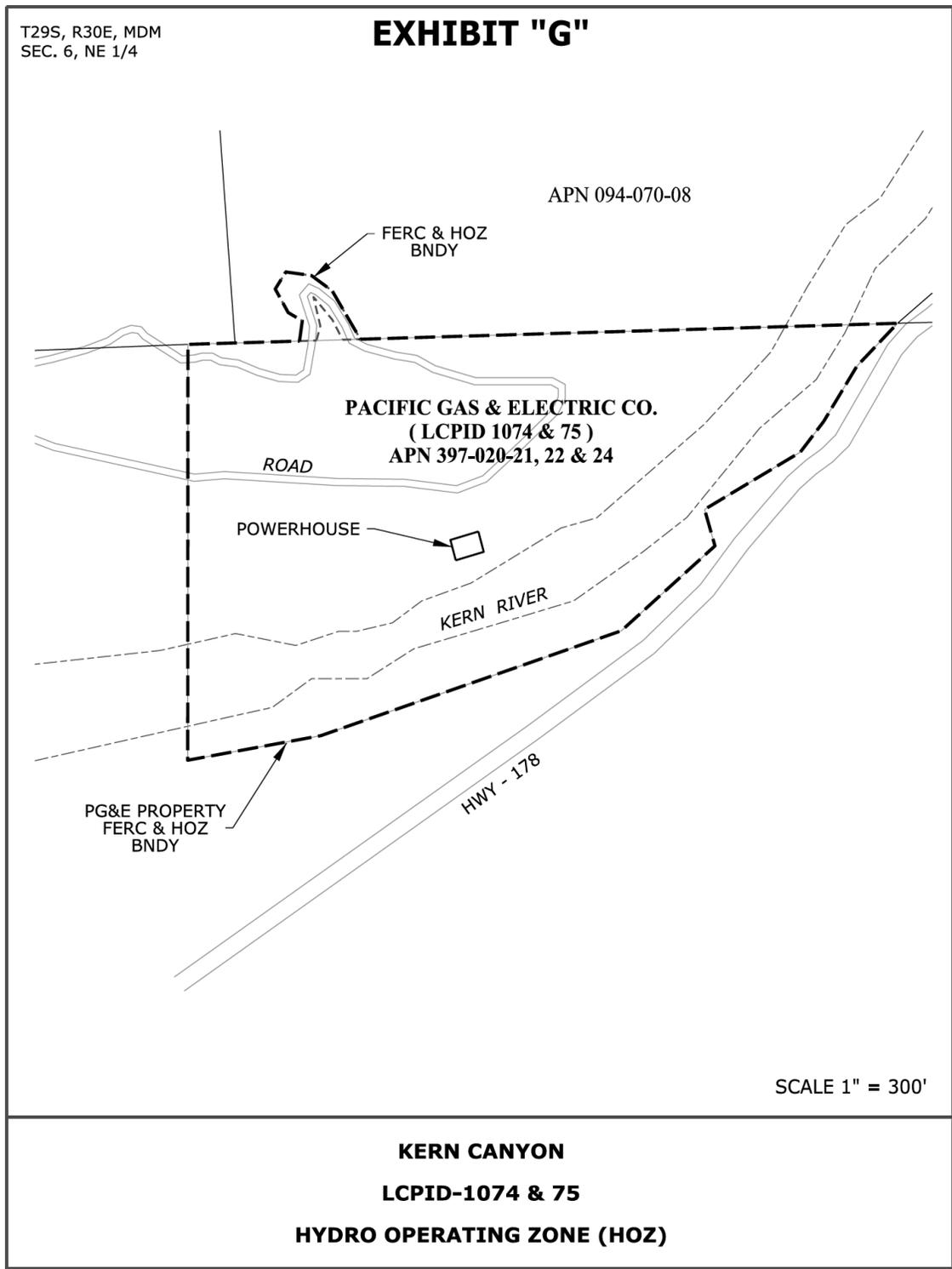


EXHIBIT H

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 those agreements and rights disclosed by Preliminary Report following this page.

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, now or hereafter (a) which is 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, and/or (c) other vegetation management operations, including but not limited to fuel reduction projects, thinning of tree stands and meadow restoration projects, and/or (d) 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. [Deleted]
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.

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11. The right to control predatory and problem animals, including, but not limited to, wild boars, coyotes, beavers and ground squirrels and the right to control or eliminate noxious weeds and non-native plant species on the Property, all in accordance with Applicable Laws.

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
Kern River Planning Unit**

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

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

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

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

D. In connection with the Land Conservation Commitment, Grantee has agreed to accept a perpetual conservation easement created pursuant to California Civil Code Section 815 *et seq.* (the “Conservation Easement”) over a portion of the PG&E Watershed Lands that is being retained by PG&E consisting of approximately 700 acres of real property located in the County of Kern, State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by reference (the “Property”).

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

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

1. Effective Date. This Agreement shall become effective upon the recording of the Conservation Easement in favor of Grantee in the Official Records of Kern 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, 2015, this Agreement shall be of no further force or effect and the parties shall thereupon be released from any obligations under this Agreement.

2. Grant. Effective upon the Effective Date, the Stewardship Council grants NINETY THOUSAND SEVEN HUNDRED DOLLARS (\$90,700) (the “Grant Funds”) to Grantee to be used solely for the following purposes:

a. Eighty Thousand Seven Hundred Dollars (\$80,700) of the Grant Funds shall be used to implement conservation easement monitoring as described in Section 4 below (the “Monitoring Funds”).

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

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

a. Within thirty (30) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of the Monitoring Funds and Defense and Enforcement Funds into a separate account which shall be restricted to the stewardship, monitoring, and legal defense/enforcement of conservation easements held by the Grantee, including but not limited to the Conservation Easement on the Property.

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

a. Regular on-site inspection and monitoring to ensure that the terms of Conservation Easement are being met;

b. Recordkeeping and preparation of reports, notices of violation, any written consent to be submitted to the fee title owner of the property which is subject to the easement, and other documentation related to the Conservation Easement and the Property;



c. Communications with the fee title owner of the property which is subject to the easement regarding the provisions of the Conservation Easement and planned or completed activities on the lands to be performed or allowed by the fee title owner or a licensee/lessee;

d. Responding to any inquiries or concerns raised by entities that have leases or licenses on the Property or other stakeholders who have an interest in ensuring the beneficial public values are protected.

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

a. To make direct expenditures of attorneys' fees, costs and disbursements incurred in connection with proceedings to enforce and/or defend the provisions of the Conservation Easement against legal challenge, including any claims by third parties;

b. To "pool" funds for legal expenses to enforce and/or defend against legal challenge conservation easements held by the Grantee, including without limitation the Conservation Easement on the Property;

c. To pay premiums into a Conservation Defense Insurance Program offered through the Land Trust Alliance, or other nationally-recognized conservation organization of which Grantee is a member for the enforcement and defense of conservation easements held by member organizations, or to cover deductibles related to such insurance.

6. Grant Report. Grantee agrees to submit to the Stewardship Council and/or its designee the following grant Status Reports pursuant to this Agreement. The initial Status Report shall be submitted to the Stewardship Council by the fourth quarter of the 2015 calendar year and include data up to the date of the initial Status Report. The final Status Report shall be submitted to the Stewardship Council or its designee on or before December 31, 2023. The due dates of the initial and final Status Reports can be changed by the Stewardship Council or its designee with at least 60 days written notice to Grantee. The Stewardship Council or its designee shall notify Grantee in a timely manner of the form and content of each Status Report, which shall include, at a minimum:

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

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

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



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

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

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

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

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

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

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

Grantee does not knowingly employ individuals or contribute funds to organizations found on any terrorist-related list prepared by the U.S. Government, the United Nations, or the European



Union, including the Department of Treasury's Office of Foreign Assets Control Specially Designated Nationals List, the Department of Justice's Terrorist Exclusion List, or the list attached to Executive Order 13224. Should any change occur with respect to the preceding sentence, Grantee will notify the Stewardship Council within 7 days of such change.

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

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

13. Assignment. This Agreement may not be assigned by the Grantee in whole or in part except as provided in Section 8 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.

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

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

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



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

By: _____
Title: _____
Date: _____

Sequoia Riverlands Trust,
a California Nonprofit Public Benefit Corporation

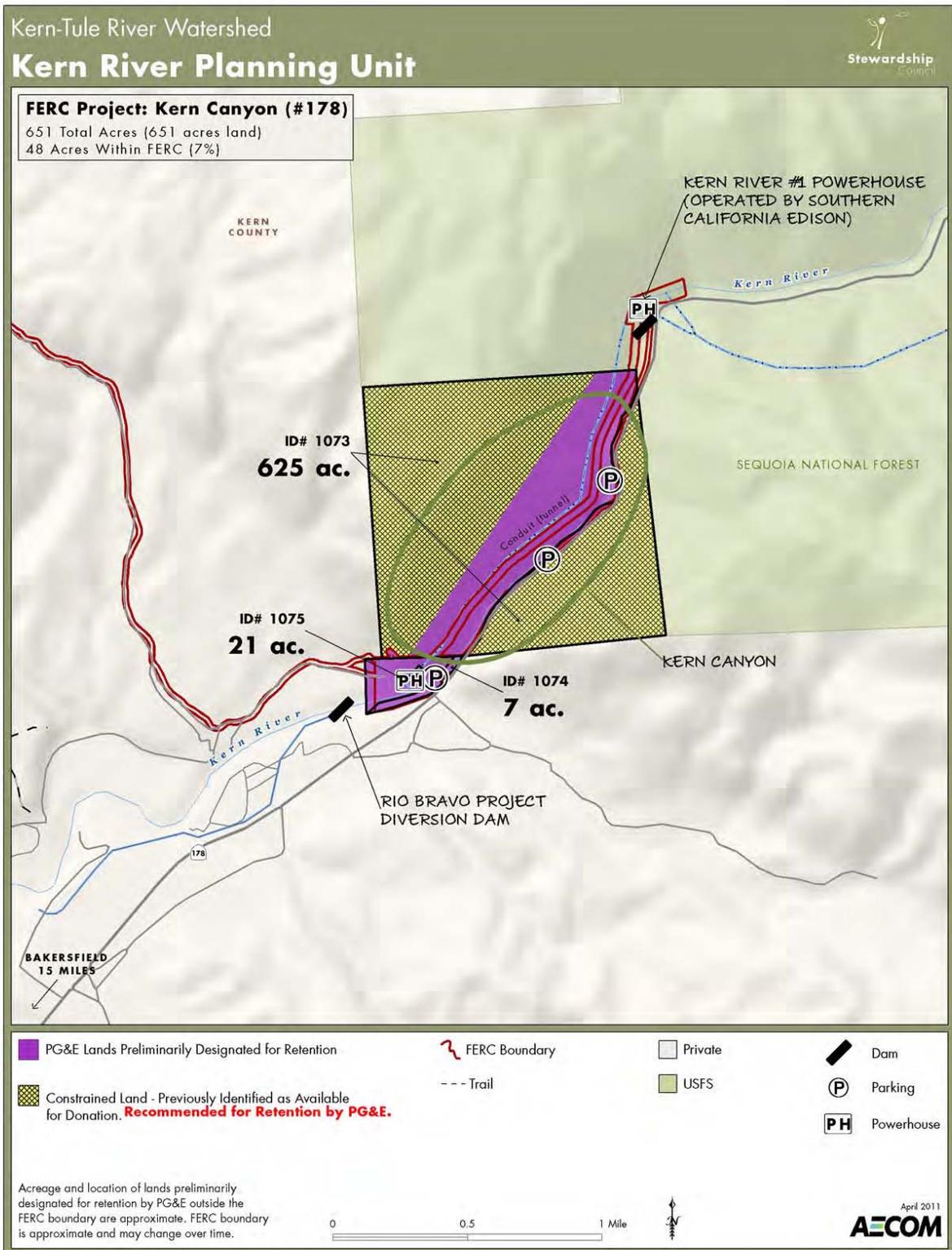
By: _____
Title: _____
Date: _____

Exhibit A

Property Description

(to be attached)

Appendix 4: Map



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

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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.