Pacific Gas and Electric Company®

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May 12, 2011

R. Winston Bell, Jr.
FOOTHILL CONSERVANCY
P.O. Box 1255
Pine Grove, CA 95665

Chris Shutes
CALIFORNIA SPORTFISHING PROTECTION ALLIANCE
1608 Francisco Street
Berkeley, CA 94703

Dear Mr. Bell and Mr. Shutes:

The purpose of this letter is to memorialize an agreement between Pacific Gas and Electric Company (PG&E), Foothill Conservancy and California Sportfishing Protection Alliance (collectively, Parties) resolving the issues raised by Foothill Conservancy and California Sportfishing Protection Alliance (jointly, Conservation Groups) regarding PG&E's Application A.10-08-011 (Application) currently pending before the California Public Utilities Commission (CPUC).

As you know, in its Application, PG&E proposes to conduct a feasibility study for the Mokelumne Pumped Storage Project (Project). If the CPUC approves the Application, the feasibility study will include a high-level assessment of potentially significant environmental impacts attributable to the proposed Project as identified by PG&E through consultation with various stakeholders. PG&E expects to conduct a more detailed assessment of potential environmental impacts as part of the Federal Energy Regulatory Commission's (FERC) federal hydropower licensing process for the Project, should PG&E elect to pursue a license for the Project.

The Parties agree that the feasibility study for the Project should include a preliminary analysis of impacts of the Project on water balance and water temperature in the Mokelumne River Basin (Preliminary Analysis).[1] The Parties believe gathering such information early in the feasibility evaluation process would be mutually beneficial, as well as beneficial for the public interest. This agreement is intended to set forth the conditions under which PG&E will undertake the Preliminary Analysis.

Consequently, the Parties agree to the following terms:

1. PG&E will use the following protocols in the Preliminary Analysis:

1.1. PG&E will use a hydrologic model, CE-QUAL-W2, for analysis of each included reservoir.

[1] For this purpose, the term "water balance" means water availability at specified locations.

1.2. PG&E will use a hydrologic model, SSTemp or SNTemp, for analysis of each included riverine reach.

1.3. PG&E will calibrate each model to produce a reasonable match with (i) the actual observed thermal stratification in Salt Springs and Lower Bear River reservoirs from May through October, and (ii) the actual temperature warming in the North Fork Mokelumne and Mainstem Mokelumne river reaches within the geographic scope stated in Section 3.4, throughout the summer period.

1.4. The geographic scope of the Preliminary Analysis will extend from Salt Springs and Lower Bear River reservoirs upstream, to the Electra Powerhouse outflow location downstream.

1.5. If the results of the modeling described in paragraph 1.4 indicate that the Project may materially increase water temperatures at the Electra Powerhouse outflow location, PG&E will undertake a second phase of modeling in this Preliminary Analysis. It will expand the geographic scope to include the reach of the Mainstem Mokelumne between Electra Powerhouse and the upper end of Pardee reservoir, consistent with access and safety considerations. For this purpose, "material" means an increase in water temperature that may affect compliance with water quality or other environmental requirements, whether applicable to PG&E or any other entity. Pursuant to paragraph 2, PG&E and Conservation Groups will consult about the results of the modeling described in paragraph 1.4, before PG&E makes a determination whether to undertake this second phase of modeling.

1.6. In addition, in the event the results of the Preliminary Analysis indicate that the Project may materially increase water temperatures at the Electra Powerhouse outflow location, PG&E will request that East Bay Municipal Utility District (EBMUD) participate in the Preliminary Analysis (including the calibration of hydrologic models and the application of models) and provide data related to (i) water temperatures for Pardee and Camanche reservoirs, the reach between Pardee and Camanche reservoirs, and the Mainstem Mokelumne downstream to the Highway 88 Bridge overcrossing and (ii) its operations of its control facilities. If EBMUD is so agreeable and provides such data, the geographic scope will be expanded, to the extent permitted by the available data, to include the locations listed in subparagraph (i), above.

1.7. PG&E will conduct the modeling to predict water balance and water temperature impacts each month during the June through September time period at representative locations within the geographic scope stated in Section 3.4, including at Salt Springs and Lower Bear River reservoirs and along the North Fork Mokelumne and Mainstem Mokelumne river reaches from Salt Springs Dam to Electra Powerhouse at each instream release point for the existing and proposed projects.

2. PG&E will conduct the Preliminary Analysis, as described in paragraph 3, in a collaborative manner.

2.1. PG&E will consult with Conservation Groups and other interested stakeholders on a regular basis throughout the conduct of the Preliminary Analysis.

2.2. PG&E will start the Preliminary Analysis within three months of the CPUC's approval of PG&E's Application.

2.3. PG&E and Conservation Groups will undertake to resolve any disputes that may arise between them, or with EMBUD or any other stakeholder, regarding the conduct of the Preliminary Analysis, including the results, or the interpretation or use of such results. However, this Agreement does not oblige PG&E and Conservation Groups to reach agreement among themselves, or with any other stakeholder, on the conduct of the Preliminary Analysis, or the results, or the use or interpretation of the results.

2.4. In advance of submitting to FERC any application for license for the Project, PG&E will have developed an informed basis as to the feasibility of the Project, including consideration of potential water temperature and water balancing effects of the Project. In addition, PG&E will report all available results of the Preliminary Analysis in any application to FERC for license for the Project.

3. Conservation Groups will submit a written letter to the CPUC stating that they do not oppose the CPUC's approval of rate recovery for the feasibility study as described in the Application as so amended. This Agreement resolves all issues raised by Conservation Groups in this proceeding, except it does not address Conservation Group's right to recover intervenor compensation.

4. This Agreement will be effective when signed by all Parties. It will terminate at the earliest of the following: (i) if the CPUC disapproves the terms of the Agreement; (ii) if the CPUC denies PG&E's Application in whole or in part; (iii) if and when PG&E files with FERC an application for license for the Project; or (iv) if and when PG&E notifies Conservation Groups that it does not intend to file with FERC an application for license for the Project.

If you are in accord with the preceding, please sign this letter and return it to me.

Sincerely,

David Moller
Director, Hydro Licensing

I am in accord with the preceding understanding.

FOOTHILL CONSERVANCY

By: _____

Title: _____

Date: _____

I am in accord with the preceding understanding.

CALIFORNIA SPORTFISHING PROTECTION ALLIANCE

By: _____

Title: _____

Date: _____