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Of Attorneys for Bank of Montreal

**UNITED STATES BANKRUPTCY COURT
 FOR THE NORTHERN DISTRICT OF CALIFORNIA**

In re

Pacific Gas and Electric Company,
 Debtor.

No. 0130923-DM

Chapter 11

AFFIDAVIT OF THOMAS E. McGRAW

STATE OF TEXAS)

County of Harris)

ss.

I, **THOMAS E. McGRAW**, being duly sworn, do depose and say:

1. I am a Vice President of Bank of Montreal. I make this Affidavit based upon my own personal knowledge. If called upon to do so, I could and would testify of my own personal knowledge to the facts set forth herein.

1- **AFFIDAVIT OF THOMAS E. McGRAW**
 [16515-0043/PA013240.110]

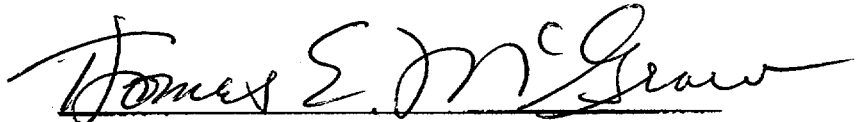
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2. Attached to this Affidavit is a true and correct copy of a Reimbursement Agreement (Series D) among Pacific Gas & Electric Company, Union Bank of Switzerland, The Sumitomo Bank Limited, and Bank of Montreal (the "Reimbursement Agreement"). Under the terms of the Reimbursement Agreement, on May 4, 2001 and again on May 7, 2001, Bank of Montreal funded letter of credit obligations as required under the Reimbursement Agreement. Bank of Montreal funded a total obligation of \$19,146,075.47 under the Reimbursement Agreement.

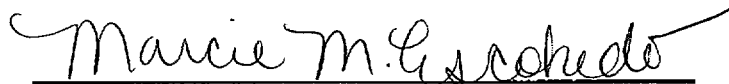
3. Bank of Montreal filed a proof of claim in this case for such sum.

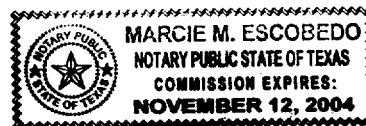
4. Union Bank of Switzerland, The Sumitomo Bank Limited, and Bank of Montreal have no remaining obligations under the Reimbursement Agreement.

DATED this 21st day of November, 2001.


Thomas E. McGraw

SUBSCRIBED AND SWORN to before me this 21 day of November, 2001.


Notary Public for Texas
My Commission Expires: 11/12/04



2- **AFFIDAVIT OF THOMAS E. McGRAW**

[16515-0043/PA013240.110]

[EXECUTION COPY]

REIMBURSEMENT AGREEMENT
(Series D)

among

PACIFIC GAS AND ELECTRIC COMPANY,

UNION BANK OF SWITZERLAND,
acting through its
New York Branch,
in its capacity as Issuing Agent
and as Administrative Agent

and

THE BANKS NAMED HEREIN

dated as of

May 1, 1996

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SCHEDULES

Schedule I	Schedule of Banks, Commitments and Pro Rata Percentages
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EXHIBITS

Exhibit A	Irrevocable Letter of Credit
Exhibit B	Opinion of Counsel to the Company
Exhibit C	Form of Participation Certificate

REIMBURSEMENT AGREEMENT

This REIMBURSEMENT AGREEMENT (Series D) is dated as of May 1, 1996, among PACIFIC GAS AND ELECTRIC COMPANY, a California corporation (the "Company"), each of the financial institutions that is a signatory hereto identified under the caption "The Banks" on the signature pages hereto or which, pursuant to Section 22(b) hereof, shall become a "Bank" hereunder (individually, a "Bank" and, collectively, the "Banks"), UNION BANK OF SWITZERLAND, acting through its Los Angeles Branch ("UBS"), as issuer of the hereinafter defined Letter of Credit (the "Issuing Agent"), and UBS, as administrative agent for the Banks and the Issuing Agent (in such capacity, together with its successors in such capacity, the "Administrative Agent").

WHEREAS, the California Pollution Control Financing Authority (the "Issuer") proposes to issue \$100,000,000 aggregate principal amount of Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series D (the "Bonds") pursuant to an Indenture of Trust dated as of May 1, 1996 (the "Indenture") between the Issuer and Bankers Trust Company, as trustee (the "Trustee") and to lend the proceeds of the sale of the Bonds to the Company pursuant to the Loan Agreement dated as of May 1, 1996 (the "Loan Agreement") to refund the Prior Bonds (as defined in the Indenture); and

WHEREAS, in order to support payment when due of the principal of and interest on the Bonds, the Company has requested the Issuing Agent to issue an irrevocable transferable direct-pay letter of credit substantially in the form of Exhibit A hereto (the "Letter of Credit") in the initial stated amount of \$105,068,494 (as the same may be reduced or reinstated from time to time as provided therein, the "Letter of Credit Amount") of which an amount may be drawn upon in respect of principal of the Bonds and an amount may be drawn upon in respect of interest on the Bonds, as such amounts are set forth in the Letter of Credit.

NOW, THEREFORE, in consideration of the foregoing premises and in order to induce the Issuing Agent to issue the Letter of Credit, the Company hereby agrees as follows:

SECTION 1. Definitions; Construction.

(a) Definitions. The following terms, as used herein, have the following respective meanings:

"Acceptable Rating" means a rating equal to or better than (i) BBB, in the case of S&P, (ii) Baa2, in the case of Moody's or (iii) a rating equivalent to BBB/Baa2, in the case of any other nationally recognized rating agency.

"Administrative Agent" has the meaning assigned to that term in the introductory paragraph of this Agreement.

"Affected Party" means an "affected party" as defined in Section 4001(a)(21) of ERISA.

"Agreement" means this Reimbursement Agreement, as the same may from time to time be amended, supplemented, or modified.

"Amount of Unfunded Guaranteed Benefits" means the "amount of unfunded guaranteed benefits" as defined in Section 4001(a)(17) of ERISA.

"Applicable Rating Level" means and shall be determined by the ratings issued from time to time by S&P and Moody's (or S&P or Moody's, if ratings shall be available from only one of such Rating Agencies) as applicable to the mortgage bonds issued pursuant to the Company Indenture; provided that, for determining whether the Applicable Rating Level falls within any of Levels I through IV, if ratings are in effect from both S&P and Moody's, if the two ratings established by such Rating Agencies fall within different Levels, the Levels corresponding to the less favorable of such ratings shall apply, in accordance with the following:

	<u>Moody's</u>	<u>S&P</u>
Level I	≥A2	≥A
Level II	<A2 but ≥A3	<A but ≥A-
Level III	<A3 but ≥Baa2	<A- but ≥BBB
Level IV	<Baa2 but ≥Baa3	<BBB but ≥BBB-
Level V	<Baa3	<BBB-

For purposes of the foregoing, (i) ">" means a rating equal to or more favorable than; "<" means a rating less favorable than; (ii) if ratings for the mortgage bonds issued pursuant to the Company Indenture or the Company's senior secured or unsecured long-term debt shall not be available from S&P or Moody's, Level V shall be deemed applicable; (iii) if determinative ratings shall change (other than as a result of a change in the rating system used by any applicable Rating Agency) such that a change in Applicable Rating Level would result, such change shall effect a change in Applicable Rating Level as of the day on which it is first announced by the applicable Rating Agency; and (iv) if the rating system of any of the Rating Agencies shall change prior to the date the Letter of Credit has terminated and all obligations hereunder have been paid in full, the Company and the Bank shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system, and pending such amendment, if no Applicable Rating

Level is otherwise determinable based upon the foregoing, the last Applicable Rating Level shall apply.

"Bank" and "Banks" have the meaning assigned to those terms in the introductory paragraph of this Agreement.

"Bonds" has the meaning assigned to that term in the first recital paragraph of this Agreement.

"Business Day" means any day other than a Saturday, Sunday, or a day on which commercial banks in Los Angeles, California, San Francisco, California, or New York, New York, are authorized by law to close and on which the New York Stock Exchange is open.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Commitment" means, for each Bank, the amount set forth on Schedule I hereto opposite the name of such Bank under the caption "Commitment."

"Commitment Fee Percentage" means, for any day, the percentage set forth below under the caption "Commitment Fee Percentage" opposite the Applicable Rating Level in effect on the last day of the calendar quarter that ended immediately preceding such day:

<u>Applicable Rating Level</u>	<u>Commitment Fee Percentage</u>
Level I	0.20%
Level II	0.25%
Level III	0.30%
Level IV	0.40%
Level V	0.70%

"Company" has the meaning assigned to that term in the introductory paragraph of this Agreement.

"Company Indenture" means that certain First and Refunding Mortgage, dated as of December 1, 1920, between the Company and First Interstate Bank of California, as trustee, as supplemented, modified, or amended from time to time or at any time by supplemental indentures.

"Company's 1995 Form 10-K" means the Company's annual report on Form 10-K for the fiscal year ended December 31, 1995, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 as amended.

"Contract of Purchase" means the Contract of Purchase dated May 23, 1996, among the Issuer, the Company, Goldman, Sachs & Co. and Lehman Brothers Inc.

"Contributing Sponsor" means a "contributing sponsor of a pension plan" as defined in Section 4001(a)(13) of ERISA.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"Credit Provider Bond" has the meaning assigned to that term in the Indenture.

"Date of Issuance" means the date on which the Letter of Credit is issued upon request of the Company pursuant to Section 3(a) hereof, which date shall in no event be later than July 1, 1996.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments, (iii) all obligations of such Person as lessee under capital leases, (iv) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (v) all Debt of others Guaranteed by such Person.

"Default" means any event or condition which constitutes an Event of Default or which with the giving of notice or the lapse of time or both would, unless cured or waived, become an Event of Default.

"Deferred Obligation" of any Person means, at any date, all obligations of such Person to pay the deferred purchase price of property or services, except (i) trade accounts payable arising in the ordinary course of business, and (ii) payments withheld in good faith to assure performance by other parties or payments withheld while being contested in good faith.

"Drawing" has the meaning assigned to that term in Section 23(a).

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Escrow Agent" means Bankers Trust Company.

"Escrow Agreement" means that certain Escrow Agreement, dated as of May 1, 1996, among the Escrow Agent, the Company and Issuer, relating to the establishment of an escrow fund for purposes of redeeming the Prior Bonds.

"Event of Default" means any of the events specified in Section 8.

"Fee Letter" means that certain letter agreement regarding fees, dated May 23, 1996, between the Company and UBS.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing any Debt of any other Person or in any manner providing for the payment of any Debt of any other Person or otherwise expressly protecting the holder of such Debt against loss (whether by agreement to keep-well, to purchase assets, goods, securities or services or otherwise); provided that the term Guarantee shall not include (i) endorsements for collection or deposit in the ordinary course of business, or (ii) indemnities or hold harmless agreements against personal injury or property damage, or (iii) contractual obligations conditioned upon performance. The term "Guarantee" used as a verb has a correlative meaning.

"Indenture" has the meaning assigned to that term in the first recital paragraph of this Agreement.

"Issuer" has the meaning assigned to that term in the first recital paragraph of this Agreement.

"Issuing Agent" has the meaning assigned to that term in the introductory paragraph of this Agreement.

"Issuing Agent's Account" has the meaning assigned to that term in Section 23(c).

"Letter of Credit" has the meaning assigned to that term in the second recital paragraph of this Agreement.

"Letter of Credit Amount" has the meaning assigned to that term in the second recital paragraph of this Agreement.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest, or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the Company shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease, or other title retention agreement relating to such asset.

"Liquidity Drawing" has the meaning assigned to that term in the Letter of Credit.

"Loans" has the meaning assigned to that term in Section 2(c).

"Loan Agreement" has the meaning assigned to that term in the first recital paragraph of this Agreement.

"Majority Banks" means, at any time, Banks whose Pro Rata Percentages at such time when added together equal or exceed 51%.

"Mandatory Purchase Drawing" has the meaning assigned to that term in the Letter of Credit.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency.

"Official Statement" means the Official Statement (including any documents incorporated therein by reference and any amendments or supplements thereto) dated May 23, 1996.

"Outstanding Amount of Benefit Liabilities" means the "outstanding amount of benefit liabilities" as defined in Section 4001(a)(19) of ERISA.

"Overnight Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Participant" means any entity to which any Bank has directly or indirectly granted a participation in such Bank's Participation Interests and its other rights and obligations under this Agreement.

"Participation Interest" has the meaning assigned to that term in Section 23(a).

"Participation Interest Certificate" has the meaning assigned to that term in Section 23(a).

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Permitted Liens" means, with respect to any Person: (i) pledges or deposits by such Person under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders,

contracts (other than for the payment of Debt of the Company or its Significant Subsidiaries) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.S. Government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent; (ii) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be prosecuting an appeal or other proceedings for review (and as to which any foreclosure or other enforcement proceedings shall have been fully bonded or otherwise effectively stayed); (iii) Liens for property taxes not yet subject to penalties for nonpayment or which are being contested in good faith and by appropriate proceedings (and as to which foreclosure or other enforcement proceedings shall have been fully bonded or otherwise effectively stayed); and (iv) minor survey exception, minor encumbrances, easements or reservations of, or rights of others for rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Debt or other extensions of credit and which do not in the aggregate materially detract from the value of said properties or materially impair their use in the operation of the business of such Person.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"PG&E Holding" means any Person which directly owns 100% of the issued and outstanding common stock of the Company.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code or Part 3 of Subtitle B of Title I of ERISA and (i) as to which the Company or any member of the Controlled Group is a Contributing Sponsor or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Company or any member of the Controlled Group is or has within the preceding five plan years been a Contributing Sponsor.

"Preliminary Official Statement" means the Preliminary Official Statement (including any documents incorporated

therein by reference and any amendments or supplements thereto) dated May 15, 1996.

"Prime Rate" means the rate announced from time to time by the Administrative Agent in the city where its principal United States office is located as its prime rate, any change to the Prime Rate being effective as of the opening of business of an announcement of such prime rate.

"Prior Bonds" has the meaning assigned to that term in the Indenture.

"Pro Rata Percentage" means for each Bank, at any time, the percentage set forth opposite such Bank's name on Schedule I under the caption "Pro Rata Percentage" at such time.

"Purchase Drawing" has the meaning assigned to that term in Section 2(a).

"Purchase Price" has the meaning assigned to that term in Section 23(a).

"Rating Agency" has the meaning assigned to that term in the Indenture.

"Related Documents" means the Bonds, the Indenture, the Loan Agreement, the Escrow Agreement, the Contract of Purchase, the Remarketing Agreement, the Fee Letter and any other agreement or instrument relating thereto.

"Remarketing Agreement" means the remarketing agreement dated as of May 23, 1996, between the Company and Goldman, Sachs & Co., as remarketing agent.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, and any successor thereto that is a nationally recognized rating agency.

"Scheduled Termination Date" has the meaning assigned to that term in the Letter of Credit.

"Significant Subsidiary" has the meaning assigned to such term by Regulation S-X of the United States Securities and Exchange Commission.

"Special Bank Event" means the delivery by the Administrative Agent to the Company of an opinion of counsel nationally recognized to have expertise in banking or securities law matters to the effect that, on the basis of a change after the date of this Agreement in the laws, rules or regulations applicable to the Issuing Agent or any Bank (or any Participant which is a depository institution) or in the interpretation of such laws, rules or regulations by a

governmental authority of the United States or of a ruling after such date by a court of competent jurisdiction or other governmental authority, the issuance or maintenance of the Letter of Credit by the Issuing Agent, the making of Loans by the Issuing Agent or the purchase of Participation Interests by such Bank or the holding of an interest in Participation Interests by such Participant (all as contemplated by this Agreement) is or will be a violation of the laws, rules and regulations applicable to the Issuing Agent or such Bank (or such Participant), as the case may be, or requires or will require the Issuing Agent or such Bank (or such Participant), as the case may be, to register as a securities dealer (or in any similar capacity) if not otherwise so registered.

"Subsidiary" has the meaning assigned to such term by Regulation S-X of the United States Securities and Exchange Commission.

"Termination Date" has the meaning assigned to that term in the Letter of Credit.

"Trustee" has the meaning assigned to that term in the first recital paragraph of this Agreement.

"UBS" has the meaning assigned to that term in the introductory paragraph of this Agreement.

"Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of the Company or any member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

(b) Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes approved by the Company's independent public accountants) with the most recent audited financial statements of the Company delivered to the Administrative Agent.

(c) Interpretation. In this Agreement, words importing any gender include the other genders; references to the singular are equally applicable to the plural and vice versa; references to statutes are to be construed as including all

statutory provisions consolidating, amending or replacing the statute referred to; references to agreements and other contractual instruments shall (unless otherwise indicated) be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement; references to Persons include their respective permitted successors and assigns; references to "Sections", "Exhibits", "Schedules", "Recitals", and other subdivisions are to the designated Sections, Exhibits, Schedules, Recitals, and other subdivisions of this Agreement; and the words "hereof", "herein", "hereunder", and "herewith" refer to this Agreement as a whole and not to any particular Section or other subdivision.

SECTION 2. Reimbursement and Other Payments.

(a) Reimbursement. The Company agrees to pay (i) to the Issuing Agent immediately after (and on the same Business Day as) any amount is drawn under the Letter of Credit a sum (and interest on such amount as provided in clause (iv) below) equal to the amount so drawn (whether by cash or, in the case of a Liquidity Drawing or a Mandatory Purchase Drawing made pursuant to Section 4.07(a)(1) or 4.07(a)(2) of the Indenture (any such Liquidity Drawing or Mandatory Purchase Drawing, a "Purchase Drawing"), by means of a Loan pursuant to Section 2(c)); (ii) to the Issuing Agent upon notice from the Issuing Agent and within 30 days from the date of such notice any and all reasonable charges and expenses which the Issuing Agent may pay or incur relative to the Letter of Credit (and interest on such amount as provided in clause (iv) below); (iii) to the Issuing Agent upon notice from the Issuing Agent of the amount thereof, and within 30 days from the date of such notice upon each transfer of the Letter of Credit in accordance with its terms, a sum (and interest on such sum as provided in clause (iv) below) in such amount as shall be necessary to cover the reasonable costs and expenses of the Issuing Agent incurred in connection with such transfer; (iv) interest on any and all amounts unpaid by the Company when due hereunder from the date such amounts become due until payment in full, payable on demand, at a fluctuating interest rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be) equal to 1.5% plus the Prime Rate; and (v) to the Administrative Agent for the account of the Issuing Agent, the Administrative Agent or any Bank, any and all reasonable expenses incurred by the Issuing Agent, the Administrative Agent or any Bank, as the case may be, in enforcing any rights it may have against the Company under this Agreement.

(b) Commissions and Fees. The Company agrees it will pay (i) to the Administrative Agent for the account of the Banks, a commission with respect to the Letter of Credit computed (on the basis of a year of 360 days for the actual

number of days elapsed) at the rate per annum equal to the Commitment Fee Percentage on the Letter of Credit Amount, payable quarterly in arrears on each March 31, June 30, September 30, and December 31, commencing with the first such date after the Date of Issuance, and on the Termination Date and (ii) to UBS, those fees specified in the Fee Letter at the times specified in the Fee Letter.

(c) Loans.

(i) Commitment. Subject to the terms and conditions contained in this Agreement, the Issuing Agent agrees at any time and from time to time after the Date of Issuance and prior to the Termination Date to make loans (the "Loans") to the Company. The Loans shall not exceed in aggregate principal amount at any time outstanding the amount set forth in the Letter of Credit less the sum of the Letter of Credit Amount then available under the Letter of Credit and the aggregate amount by which the Letter of Credit Amount has been permanently reduced.

(ii) Purpose of Loan. The Company may obtain a Loan under this Agreement only for the purpose of converting the obligation of the Company under Section 2(a)(i) to reimburse the Issuing Agent for a Purchase Drawing from an obligation due on the relevant drawing date to an obligation due as provided in this Section 2(c). The obtaining of any Loan for such purpose shall not constitute a reimbursement of the amount of the relevant Purchase Drawing which would result in the reinstatement of the Letter of Credit Amount. No Loans will be made for the purpose of converting the obligation of the Company under Section 2(a)(i) to reimburse the Issuing Agent for the amount of any Drawing other than a Purchase Drawing or for any other purpose.

(iii) Loan Procedure. In the event that the Company does not otherwise reimburse the Issuing Agent in cash in accordance with the provisions of Section 2(a) of this Agreement for the amount of any Purchase Drawing prior to the time for payment specified in Section 2(e), the Company will be deemed to have requested a Loan in an amount equal to the amount of such Purchase Drawing for the purposes specified in Section 2(c)(ii).

(iv) Loans. Each Loan shall be in a principal amount equal to the relevant Purchase Drawing. The portion of each Loan equal to the amount of the relevant Purchase Drawing representing principal of the Bonds purchased with the proceeds of such Purchase Drawing shall be paid by the Company upon the earliest of (x) the remarketing pursuant to the Remarketing Agreement of such Bonds, in the amount of the principal of such remarketed Bonds (to the extent not previously repaid), (y) the Termination Date and (z) sixty

(60) days following the occurrence of a Special Bank Event. The portion of each Loan equal to the amount of the relevant Purchase Drawing representing accrued interest on the Bonds purchased with the proceeds of such Purchase Drawing shall be due and payable upon the earlier of (aa) the Interest Payment Date (as defined in the Indenture) immediately following the making of such Loan and (bb) the remarketing of such Bonds pursuant to the Remarketing Agreement.

(v) Interest on Loans. Each Loan shall bear interest on its outstanding principal amount at a fluctuating rate per annum equal, (x) for the first forty-five (45) days during which such Loan is outstanding, to the lower of (aa) the sum of the Overnight Federal Funds Rate plus $\frac{3}{8}$ of 1%, and (bb) the Prime Rate and (y) from and after the forty-sixth day following the day on which such Loan was made, to the higher of (aa) the Overnight Federal Funds Rate plus $\frac{1}{2}$ of 1%, and (bb) the Prime Rate. Interest shall be payable monthly in arrears on the first Business Day of each month commencing on the first such day to occur following the relevant Drawing date, and on the maturity of such Loan. Computations of interest shall be made on the basis of a year of 360 days, with respect to Loans bearing interest at a rate based on the Overnight Federal Funds Rate, and on the basis of a year of 365 or 366 days, as appropriate, with respect to Loans bearing interest at the Prime Rate, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable.

(vi) Voluntary Prepayments. The Company shall have the right to prepay the Loans in whole or in part, without premium or penalty, from time to time pursuant to this Section 2(c)(vi) on the following terms and conditions: (x) the Company shall give the Administrative Agent at least one (1) Business Day's prior written notice or telephonic notice (confirmed in writing) of its intent to prepay Loans, the amount of such prepayment and which Loans are to be prepaid; (y) each prepayment of a Loan (other than the portion of a Loan equal to the amount of the relevant Purchase Drawing representing accrued interest on Bonds) shall be in a principal amount of \$500,000 or any larger amount that is a whole multiple of \$100,000 (or, if less, the amount then remaining outstanding in respect of such Loan); and (z) at the time of any prepayment, the Company shall pay all interest accrued on the principal amount of such prepayment.

(vii) Credit Provider Bonds. Payments, if any, received by the Administrative Agent as a holder of Credit Provider Bonds shall be credited against the Loan derived from the Purchase Drawing used to purchase such Credit Provider Bonds. Any such payment shall be credited first against accrued and unpaid interest on such Loan and then against the principal balance of such Loan. Payments, if any, received by the

Administrative Agent as a holder of Credit Provider Bonds shall, if no loans are outstanding, be credited against other amounts, if any, that are then owing by the Company hereunder or which become owing by the Company hereunder. Payments, if any, described under this clause (vii) shall not be construed as prepayments that are subject to the limitations of clause (vi) above.

(d) Increased Costs; Reduced Return. If any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall either (i) impose, modify, or deem applicable any reserve, special deposit, capital adequacy or similar requirement against letters of credit issued by or participated in by, loans made by, commitments to make loans by, or assets held by or deposits in or for the account of, the Issuing Agent, any Bank or any Participant or (ii) impose on the Issuing Agent, any Bank or any Participant any other condition regarding this Agreement, the Letter of Credit, the Participation Interests, any Bank's Commitment or any participation interest in the foregoing and the result of any event referred to in clause (i) or (ii) of this subsection shall be to increase the cost to the Issuing Agent, such Bank or such Participant of issuing or maintaining the Letter of Credit, committing to make the Loans or making the Loans, committing to purchase Participation Interests or maintaining Participation Interests or, in the case of a Participant, its interest therein (or, in the case of any capital adequacy requirement, to reduce the rate of return on the Issuing Agent's, such Bank's or such Participant's capital as a consequence of its obligations under this Agreement, the Letter of Credit, the Loans, the Participation Interests, the Commitments or any participation interest in the foregoing to a level below that which the Issuing Agent, such Bank or such Participant, as the case may be, could have achieved but for the imposition of such requirement) (which increase in cost or reduction shall be the result of the Issuing Agent's, such Bank's or such Participant's reasonable allocation of the aggregate of such cost increases resulting from such events), then, upon demand, the Company shall immediately pay to the Administrative Agent for the account of the Issuing Agent, such Bank or such Participant, as the case may be, all additional amounts which are necessary to compensate the Issuing Agent, such Bank or such Participant, as the case may be, for such increased cost or reduction incurred by the Issuing Agent, such Bank or such Participant; provided, however, that in the case of any Participant, such amounts shall not exceed the amounts that the Company would have been obligated to pay to the Bank which granted a participation to such Participant pursuant to this subsection if such Bank had not granted such participation to such Participant. All payments of increased costs shall bear interest thereon if not paid within 30 days of such notice until payment in full

thereof at the rate provided in subsection (a) of this Section. A certificate as to such increased cost incurred by the Issuing Agent, any Bank or any Participant as a result of any event mentioned in clause (i) or (ii) of this subsection shall be submitted by the Administrative Agent to the Company and shall be conclusive (absent manifest error) as to the amount thereof.

(e) Payment Procedures. All payments by the Company hereunder shall be made in lawful currency of the United States and in immediately available funds to the Administrative Agent at 299 Park Avenue, New York, New York 10171, ABA # 0260-0843-9, Account Number: 500038-07, Reference: SBY504295, or to such other address as the Issuing Agent may designate in a written notice to the Company. Any payment received after the close of business on any day of the office receiving funds will be deemed received on the next succeeding Business Day. Whenever any payment hereunder shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day, and any interest payable thereon shall be payable for such extended time at the specified rate.

(f) Net Payments. All payments under this Agreement shall be made without set-off or counterclaim and in such amounts as may be necessary in order that all such payments (after deduction or withholding for or on account of any present or future taxes, levies, imposts, duties, or other charges of whatsoever nature imposed by any government, any political subdivision, or any taxing authority, other than any tax on or measured by the overall net income of the Issuing Agent, the Administrative Agent or any Bank pursuant to the income tax laws of the United States or the jurisdiction where the Issuing Agent's, the Administrative Agent's or any such Bank's, as the case may be, principal office is located (collectively, the "Taxes")) shall not be less than the amounts otherwise specified to be paid under this Agreement. A certificate as to any additional amounts payable to the Issuing Agent, the Administrative Agent or any Bank under this Section 2(f) submitted to the Company by the Issuing Agent, the Administrative Agent or any Bank shall show in reasonable detail the amount payable and the calculations used to determine in good faith such amount and shall be conclusive absent manifest error. Any amounts payable by the Company under this Section 2(f) with respect to past payments shall be due within one Business Day following receipt by the Company of such a certificate and shall be made to the Administrative Agent; any such amounts payable with respect to future payments shall be due concurrently with such future payments. With respect to each deduction or withholding for or on account of any Taxes, the Company shall promptly furnish to the Issuing Agent, the Administrative Agent or any Bank such certificates, receipts, and other documents as may be required

(in the reasonable judgment of the Issuing Agent, the Administrative Agent or such Bank, as the case may be) to establish any tax credit to which the Issuing Agent, the Administrative Agent or such Bank, as the case may be, may be entitled. Without in any way affecting any of its rights under this Section 2(f), the Issuing Agent, the Administrative Agent and each Bank agrees that, upon its becoming aware that any of the present or future payments due to it under this Agreement would be subject to deduction for Taxes, it will notify the Company in writing and will use reasonable efforts not disadvantageous to it (in its sole determination) in order to avoid or minimize, as the case may be, the payment by the Company of any additional amounts for Taxes pursuant to this Section 2(f).

SECTION 3. Issuance of the Letter of Credit; Conditions Precedent to Issuance; Conditions Precedent to Loans.

(a) On or before July 1, 1996, upon 24 hours' prior notice from the Company to the Administrative Agent and subject to satisfaction of the conditions precedent set forth in subsections (b), (c), and (d) of this Section, the Issuing Agent shall issue the Letter of Credit in the Letter of Credit Amount, effective on the Date of Issuance and expiring on the Scheduled Termination Date. At least 60 but not more than 120 days before each June 1, commencing June 1, 1997, the Company may deliver to the Administrative Agent a request in writing that the Issuing Agent extend for one year the Scheduled Termination Date of the Letter of Credit. Upon receipt by the Administrative Agent of any notice under this Section 3(a), the Administrative Agent shall promptly forward a copy of such notice to the Issuing Agent and each Bank. No later than 30 days from the date on which the Administrative Agent shall have received notice from the Company pursuant to the preceding sentence, the Administrative Agent shall notify the Company of the Issuing Agent's consent or nonconsent to such extension request, and if the Issuing Agent shall have consented to such extension request, the Issuing Agent shall deliver to the Trustee an amendment of the Letter of Credit which extends the Scheduled Termination Date thereof. Any extension of the Letter of Credit hereunder shall be on the same terms and conditions as set forth herein. The Issuing Agent shall not consent to any extension of the Scheduled Termination Date pursuant to a request therefor unless it shall have obtained the prior written consent of each Bank. Within 25 days following the date on which the Issuing Agent or any Bank receives a copy of the Company's request for an extension of the Scheduled Termination Date, the Issuing Agent or such Bank, as the case may be, shall deliver to the Administrative Agent written notice indicating whether or not it consents to the Company's extension request. In the event that any Bank does not consent to such extension request or fails to respond to an extension request, the Administrative

Agent shall have the right to remove such Bank as a party hereunder in accordance with Section 22(a) hereof. In the event the Administrative Agent fails to respond to an extension request made by the Company, the Issuing Agent shall be deemed not to have consented to such extension request.

(b) As a condition precedent to the issuance of the Letter of Credit, the Administrative Agent shall have received on or before the Date of Issuance the following (with sufficient copies to enable the Administrative Agent to deliver one copy to the Issuing Agent and each Bank), each dated such date, in form and substance satisfactory to the Administrative Agent:

(i) an opinion of Gary P. Encinas, Attorney for the Company, substantially in the form of Exhibit B hereto;

(ii) a letter from Orrick, Herrington & Sutcliffe, Bond Counsel, addressed to the Administrative Agent, the Issuing Agent and each Bank and stating that the Administrative Agent, the Issuing Agent and each Bank is entitled to rely on its opinions delivered to the Issuer pursuant to and in the forms required by the Contract of Purchase as if such opinion were addressed to the Administrative Agent, the Issuing Agent and each such Bank;

(iii) copies of the resolutions of the Board of Directors of the Company authorizing the execution, delivery, and performance by the Company of this Agreement and each of the Related Documents to which the Company is a party, certified by the Secretary or an Assistant Secretary of the Company (which certificate shall state that such resolutions are in full force and effect on the Date of Issuance);

(iv) certified copies of all approvals, authorizations, or consents of, or notices to or registrations with, any governmental body or agency required for the Company to enter into this Agreement and the Related Documents and to perform its obligations thereunder;

(v) a certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company signing this Agreement, the Related Documents and the other documents to be delivered by the Company hereunder and thereunder, and certifying that such officers are so authorized;

(vi) a fully executed copy of this Agreement;

(vii) executed copies (or duplicates thereof) of the Related Documents, each of which shall be in form and substance satisfactory to the Administrative Agent;

(viii) evidence that the trustee for the Prior Bonds has either delivered a notice of redemption to the holders of all the Prior Bonds, or has received irrevocable instructions from the Company to deliver such notice of redemption within 60 days following the Date of Issuance; and

(ix) such other documents, instruments, approvals (and, if requested by the Administrative Agent, certified duplicates of executed copies thereof) or opinions as the Administrative Agent may reasonably request.

(c) The following statements shall be true and correct on the Date of Issuance, and the Administrative Agent shall have received a certificate (with sufficient copies to enable the Administrative Agent to deliver one copy to the Issuing Agent and each Bank) signed by a duly authorized officer of the Company, dated the Date of Issuance, stating that:

(i) the representations and warranties contained in Section 6 hereof are correct on and as of the Date of Issuance as though made on and as of such date; and

(ii) no Default has occurred and is continuing or would result from the issuance of the Letter of Credit.

(d) On or before the Date of Issuance:

(i) the Issuer shall have duly adopted resolutions authorizing the execution, delivery, and performance by the Issuer of the Bonds, this Agreement and each of the Related Documents to which the Issuer is a party and certified copies of such resolutions shall have been delivered to the Bank;

(ii) the Issuer and the Trustee shall have duly authorized and executed the Indenture, and the Indenture shall be in full force and effect;

(iii) all conditions precedent to the issuance of the Bonds (and to their purchase under the Contract of Purchase as specified therein) shall have occurred; and

(iv) the Issuer shall have duly executed, issued and delivered the Bonds.

(e) The obligation of each Bank to make each Loan is subject to the following conditions:

(i) the representations and warranties of the Company contained in Sections 6(a) through 6(c), inclusive, and Sections 6(f) and 6(j), and the representations of the Issuer contained in the Contract of Purchase shall be true and correct on and as of the date of such Loan;

(ii) no Default or Special Bank Event applicable to the Issuing Agent or any Bank shall have occurred and be continuing or would result from the making of such Loan; and

(iii) no Event of Default (as defined in such agreements) under the Indenture or the Loan Agreement shall have occurred and be continuing.

SECTION 4. Reduction of Letter of Credit Amount; Reinstatement of Letter of Credit Amount for Interest on the Bonds. The Letter of Credit Amount shall be automatically reduced or reinstated, as the case may be, as specified in the Letter of Credit.

SECTION 5. Obligations Absolute. The obligations of the Company under this Agreement shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances:

(a) any lack of validity or enforceability of the Letter of Credit or any of the Related Documents;

(b) any amendment or waiver of or any consent to departure from all or any of the Related Documents;

(c) the existence of any claim, set-off, defense or other rights which the Company may have at any time against the Trustee, any beneficiary, or any transferee of the Letter of Credit (or any persons or entities for whom the Trustee, any such beneficiary or any such transferee may be acting), the Issuing Agent, the Administrative Agent, any Bank, any Participant or any other person or entity, whether in connection with this Agreement, the Related Documents, or any unrelated transactions; provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Issuing Agent under the Letter of Credit against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit; or

(f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

SECTION 6. Representations and Warranties. The Company represents and warrants as follows:

(a) **Corporate Existence and Power.** The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of California, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

(b) **Corporate and Governmental Authorization: No Contravention.** The execution, delivery, and performance by the Company of this Agreement and the Related Documents to which it is a party are within the Company's corporate power, have been duly authorized by all necessary corporate action, require no action other than that already undertaken by or in respect of, or filing with, any governmental body, agency or official (other than any filings which may be required in the future and the failure to make which will not render invalid this Agreement or any of the Related Documents) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation or by-laws of the Company or of any material agreement, judgment, injunction, order, decree, or other instrument binding upon the Company or result in the creation or imposition of any Lien on any asset of the Company (except to the extent the Company's rights under this Agreement and the Related Documents are subject to the lien of the Company Indenture).

(c) **Binding Effect.** This Agreement and the Related Documents to which the Company is a party constitute valid and binding agreements of the Company.

(d) **Financial Information.**

(i) The consolidated balance sheet and statement of consolidated capitalization of the Company as of December 31, 1995, and the related statements of consolidated income, consolidated cash flows and consolidated common stock equity, preferred stock and preferred securities for the fiscal year then ended, reported on by Arthur Andersen LLP and incorporated by reference in the Company's 1995 Form 10-K, a copy of which has been delivered to the Administrative Agent, the Issuing Agent and each Bank, fairly present, in conformity with

generally accepted accounting principles, the financial position of the Company and its Subsidiaries as of such date and the results of operations and changes in financial position for such fiscal year.

(ii) Since December 31, 1995, there has been no material adverse change in the business, financial position, results of operations or prospects of the Company and its Subsidiaries taken as a whole, except as disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, or as otherwise disclosed in writing to the Administrative Agent with specific reference to this Section 6(d).

(e) Litigation. Except for that which is disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, or as otherwise disclosed in writing to the Administrative Agent with specific reference to this Section 6(e), there is no action, suit, or proceeding pending, or to the knowledge of the Company threatened, against or affecting the Company before any court or arbitrator or any governmental body, agency, or official in which there is a reasonable possibility of an adverse decision which would materially and adversely affect the business, financial position, or results of operations of the Company and its Subsidiaries taken as a whole, or which in any manner questions the validity of this Agreement or any of the Related Documents.

(f) Compliance with ERISA. The Company and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan (or, with respect to each Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA, have made all required contributions), are in compliance in all material respects with the presently applicable provisions of ERISA and the Code relating to each Plan, have not incurred any liability to the PBGC or a Plan under Title IV of ERISA and have taken no actions which would result in the occurrence of an Event of Default under Section 8(i).

(g) Related Documents. The representations and warranties of the Company set forth in each of the Related Documents to which the Company is a party are true and correct.

(h) Taxes. United States federal income tax returns of the Company have been examined and closed through the fiscal year ended December 31, 1989. The Company has filed all United States federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company, except for those which the Company is contesting in good faith. The

charges, accruals, and reserves on the books of the Company in respect of taxes or other governmental charges are, in the opinion of the Company, adequate.

(i) Not an Investment Company. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(j) Not a Public Utility Holding Company. Either (i) neither the Company nor any Subsidiary is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company," or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, or (ii) (aa) the Company is a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, but such "holding company" and its "subsidiary companies," including the Company, are exempt from the provisions thereof, except Section 9(a)(2) thereof, by virtue of having filed with the Securities and Exchange Commission a Statement by Holding Company Claiming Exemption Under Rule U-2 From the Provisions of the Public Utility Holding Company Act of 1935 on Form U-3A-2, and (bb) such exemption is in full force and effect and, to the best of the Company's knowledge, no proceedings to revoke or modify such exemption have been instituted or are pending.

(k) No Significant Subsidiaries. The Company has no Significant Subsidiaries.

SECTION 7. Covenants. The Company agrees that, during the term of this Agreement:

(a) Information. The Company will deliver to the Administrative Agent (with sufficient copies to enable the Administrative Agent to deliver one copy to the Issuing Agent and each Bank):

(i) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, its consolidated balance sheet and statement of consolidated capitalization as of the end of such fiscal year, and the related statements of consolidated income, consolidated cash flow and consolidated common stock equity, preferred stock and preferred securities for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, or similar statements, all reported on in a manner acceptable to the Securities and Exchange Commission by Arthur Andersen LLP or other independent public accountants of nationally recognized standing;

(ii) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Company, a copy of the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission;

(iii) simultaneously with the delivery of each set of documents referred to in clauses (i) and (ii) above, a certificate of a Vice President, Treasurer or Assistant Treasurer of the Company stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details of such Default and the action which the Company is taking or proposes to take with respect to such Default;

(iv) forthwith upon the occurrence of any Default, a certificate of a Vice President, Treasurer or Assistant Treasurer of the Company setting forth the details of such Default and the action which the Company is taking or proposes to take with respect to such Default;

(v) promptly upon the mailing thereof to the shareholders of the Company generally, copies of all financial statements, reports, and proxy statements so mailed;

(vi) if and when the Company or any member of the Controlled Group gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; and

(vii) from time to time such additional information regarding the financial position or business of the Company as the Administrative Agent may reasonably request.

(b) Consolidations, Mergers, Sales of Assets. The Company will not consolidate with, or merge into, any other Person, or sell, lease, or otherwise transfer in one or a series of related transactions all or substantially all of its assets ("substantially all" for purposes of this subsection (b) shall in no event be interpreted to mean a sale, lease or transfer of assets in an amount which is equal to or less than either 50% of total gross assets or 50% of total net assets of the Company on an unconsolidated basis immediately prior to the particular transaction or the first of a series of related transactions) to any other Person, except that, so long as no

Event of Default shall have occurred and be continuing: (i) the Company may consolidate with, or merge into, PG&E Holding or any Subsidiary of the Company, provided that, in any such consolidation or merger, the Company or PG&E Holding shall be the survivor and shall continue to own and operate the Company's public utility business; (ii) the Company may consolidate with, or merge into, any Person other than PG&E Holding or any Subsidiary of the Company (such Person, a "Non-Affiliate"), provided that (A) the Company shall be the survivor and shall continue to own and operate the Company's public utility business or (B) if the Company is not the survivor, the Bank receives evidence of a preliminary rating from S&P or Moody's that the Non-Affiliate's senior unsecured long-term debt (or, if S&P or Moody's is not then rating the long-term debt of the Non-Affiliate, a preliminary rating from another nationally recognized rating agency) immediately following such consolidation or merger will not be less than an Acceptable Rating; or (iii) the Company may sell, lease or otherwise transfer all or substantially all of its assets to any Person so long as such Person assumes the obligations of the Company hereunder and the Bank receives evidence of a preliminary rating from S&P or Moody's that such Person's senior unsecured long-term debt (or, if S&P or Moody's is not then rating the long-term debt of such Person, a preliminary rating from another nationally recognized rating agency) immediately after the sale, lease or transfer will not be less than an Acceptable Rating.

(c) No Liens. The Company shall not create or suffer to exist any Lien upon any of its assets, whether now owned or hereafter acquired, to secure any Debt or other obligation, except: (i) Liens on the assets of the Company in existence on the date hereof and, to the extent the Company consolidates with, or merges into, another Person in a transaction permitted under Section 7(b), Liens on the assets of such Person in existence on the date of such consolidation or merger and securing Debt of such Person, provided that such Debt and Liens were not created or incurred in anticipation of such consolidation or merger; (ii) the Lien of the Company Indenture; (iii) to the extent the Company refinances or prefinances any Debt under the Company Indenture, any Liens securing Debt incurred within 91 days before or after the repurchase, redemption or retirement of Debt under the Company Indenture; provided that (x) the proceeds of the new Debt be used to fund or replace funds used for the repurchase, redemption or retirement of Debt under the Company Indenture, (y) the amount of new Debt does not exceed an amount equal to the sum of the amount of Debt that is to be repurchased, redeemed or retired and the reasonable costs associated with repurchasing, redeeming or retiring the Debt under the Company Indenture and incurring such new Debt and (z) the Liens securing such new Debt shall not encumber any assets other than those encumbered by the Lien of the Company Indenture;

(iv) Liens securing Debt in an amount which, at the time such Debt is incurred, could have been incurred under the terms of the Company Indenture, provided that the Liens securing such Debt shall not encumber any assets other than those encumbered by the Lien of the Company Indenture; (v) Permitted Liens; (vi) Liens constituting purchase money security interests; and (vii) Liens securing other Debt, provided that such Debt does not exceed \$1,000,000,000. At no time shall the Company permit the Liens described under clauses (ii), (iii) and (iv) above to secure Debt in excess of the maximum amount permitted under the Company Indenture at that time, or, if the Company Indenture has terminated, the maximum amount permitted under the Company Indenture immediately prior to its termination.

(d) Maintenance of Property; Insurance. The Company will (i) maintain all of its properties used or useful in its business in good working order and condition, ordinary wear and tear excepted and (ii) maintain, with financially sound and reputable insurance companies, insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or a similar business.

(e) Conduct of Business and Maintenance of Existence. Except as provided in Section 7(b), the Company will preserve, renew, and keep in full force and effect its corporate existence and the rights, privileges, and franchises necessary in the normal conduct of business.

(f) Compliance with Laws. The Company will comply in all material respects with all material laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, ERISA and the rules and regulations thereunder) the noncompliance with which would materially and adversely affect the Company's ability to perform its obligations under this Agreement, having due regard for the Company's other obligations, except where the necessity of compliance therewith is contested in good faith by appropriate proceedings.

(g) Inspection of Property, Books and Records. The Company will keep proper books of record and account in which full, true, and correct entries in conformity with generally accepted accounting principles shall be made of all dealings and transactions in relation to its business and activities. The Company will permit representatives of the Administrative Agent, the Issuing Agent and the Banks to visit and inspect any of its properties to the extent permitted by applicable law and applicable safety and security policies of the Company (and to the extent such visitation and inspection shall not interfere with the normal operations of the Company) and to examine, subject to proprietary and confidentiality policies

and agreements of or binding upon the Company, any of its books and records and to discuss its affairs, finances and accounts with its officers and employees, subject to proprietary and confidentiality policies and agreements of or binding upon the Company, all at such reasonable times and as often as may reasonably be desired.

(h) Payment of Obligations. The Company will pay and discharge, at or before maturity, all its material obligations and liabilities, including, without limitation, tax liabilities, except where the same may be contested in good faith by appropriate proceedings, and will maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

(i) Notice. The Company will cause one of its authorized financial or accounting officers to give the Administrative Agent prompt written notice of the occurrence of any Default.

(j) Amendment of Related Documents. The Company will not enter into or consent to any amendment of any of the Related Documents without the prior written consent of the Issuing Agent and the Majority Banks.

(k) Pari Passu Status. The Company will not take any action which would result in the Company's obligations to the Administrative Agent, the Issuing Agent and the Banks under this Agreement not ranking at least pari passu in right of payment with all unsecured obligations of the Company to other creditors.

(l) Optional Redemption of Bonds. The Company shall not instruct the Trustee to cause an optional redemption of all or a portion of the Bonds unless either (i) the Issuing Agent and the Majority Banks shall have consented thereto in writing; provided, however, that the Issuing Agent and the Majority Banks shall consent to such redemption so long as the Company demonstrates to the Issuing Agent that it has adequate funds available to reimburse the Issuing Agent for a Drawing made under the Letter of Credit to pay the redemption price of such Bonds or (ii) the Company provides the Trustee with Available Amounts (as such term is defined in the Indenture), other than amounts drawn or to be drawn under the Letter of Credit, sufficient to pay the redemption price of the Bonds to be redeemed.

SECTION 8. Events of Default. The following events shall be Events of Default hereunder unless waived pursuant to Section 9 hereof:

(a) the Company shall fail to pay when due any amount payable hereunder and, in the case of any payment pursuant to

Section 2(a)(i), 2(c)(iv), or 2(c)(v), such failure shall remain unremedied for a period of one day;

(b) the Company shall fail to observe or perform the covenant contained in Section 7(b);

(c) the Company shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clauses (a) or (b) above) for 30 days after written notice thereof has been given to the Company;

(d) any representation, warranty, certification, or statement made by the Company in this Agreement or in any certificate, financial statement, or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made;

(e) the Company shall default in the payment when due of any principal of or interest on any Debt or Deferred Obligation of the Company whose then outstanding aggregate principal amount exceeds \$100,000,000; provided, however, if the agreement creating or evidencing such Debt or Deferred Obligation contains a payment default grace period, no Event of Default shall occur hereunder until such grace period has elapsed;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Debt or Deferred Obligation of the Company whose then outstanding aggregate principal amount exceeds \$100,000,000;

(g) the Company shall commence a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee (other than the trustee under the Company Indenture), receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Company seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee (other than a trustee under the Company Indenture),

receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Company under the federal bankruptcy laws as now or hereafter in effect;

(i) (i) The Company or any member of the Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of \$100,000 which it shall have become liable to pay to the PBGC, to any trustee under Section 4042 or 4049 of ERISA, or to a Plan under Title IV of ERISA; (ii) notice shall be given by any plan administrator to Affected Parties of intent to terminate a Plan where such termination would constitute a "distress termination" under Title IV of ERISA; (iii) the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans against the Company or any member of the Controlled Group to enforce Section 515 of ERISA and such proceeding shall not have been dismissed within 30 days; (iv) a condition shall exist by reason of which the PBGC would be entitled to institute proceedings to terminate any such Plan or Plans; or (v) benefit accruals in any Plan shall be frozen at a time when the Amount of Unfunded Guaranteed Benefits plus the Outstanding Amount of Benefit Liabilities plus the amount of any liabilities under Section 4042 of ERISA in such Plan, if then terminated, would be in excess of \$1,000,000;

(j) a judgment or order or judgments or orders for the payment of money in excess of \$100,000,000 in the aggregate shall be entered against the Company by a court or courts and the same shall not, within 90 days from the date of entry thereof or in any event not later than 5 days before the date of any proposed sale or levy thereunder, be (i) discharged (or provision for discharge shall not be made) or (ii) stayed, pending and during an appeal;

(k) in the event the Company shall have one or more Significant Subsidiaries, any of the events specified in subsections (e) through (j) above shall have occurred with respect to any Significant Subsidiary.

Upon the occurrence of an Event of Default pursuant to Section 8(g) or (h), (i) the commitment of the Issuing Agent to make any Loans under this Agreement shall cease and (ii) all amounts payable by the Company under this Agreement shall become due and payable, in each case automatically and immediately without any presentment, demand, protest, or other notice of formality of any kind (all of which are expressly waived). Upon the occurrence of an Event of Default other than pursuant to Section 8(g) or (h), at the direction of the

Majority Banks, (aa) the Issuing Agent shall terminate its commitment to make any Loans under this Agreement and (bb) the Administrative Agent, by notice in writing or by telecopy to the Company, shall declare all amounts payable by the Company under this Agreement to be immediately due and payable (and the same shall upon such notice become immediately due and payable), in each case without any presentment, demand, protest, or other notice or formality of any kind. Upon any such occurrence, the Administrative Agent may, in addition and at the direction of the Majority Banks, (x) exercise all of its rights and remedies and the rights and remedies of the Issuing Agent and any Bank under any Related Document or applicable law, (y) give written notice to the Trustee of such occurrence, with the effect contemplated by Section 7.01 of the Indenture or (z) exercise all or any combination of the remedies provided for in this Section 8.

SECTION 9. Amendments and Waivers. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Company therefrom shall in any event be effective unless the same shall be in writing and signed by the Issuing Agent, the Administrative Agent, the Majority Banks and the Company; provided, however, that no such amendment, waiver or consent shall, without the consent of (a) each Bank, (i) extend the final maturity of any Loan or the time for payment of any Drawing, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, or increase the Commitment of such Bank over the amount thereof then in effect, or increase the Pro Rata Percentage of such Bank over the percentage then in effect, (ii) reduce the Commitment Fee Percentage, (iii) release any collateral under this Agreement or any Related Document, (iv) amend, modify or waive any provision of this Section 9 or Section 2, 3(a), 5, 7(b), 7(c), 8, 13, 14, 16, 17, 18, 22, 23 or 24(f), (v) reduce the percentage specified in the definition of Majority Banks or (vi) consent to the assignment or transfer by the Company of any of its rights and obligations under this Agreement; (b) the Issuing Agent, (i) extend the time for payment of any Drawing, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, (ii) increase the Commitment or Pro Rata Percentage of any Bank over the amounts thereof then in effect, (iii) reduce the fees owing (or to become owing) to the Issuing Agent under the Fee Letter, (iv) amend, modify or waive any provision of this Section 9 or Section 2, 5, 8(a), 13, 14, 16, 17, 18, 22, 23 or 24(f), or (v) consent to the assignment or transfer by the Company of any of its rights and obligations under this Agreement; and (c) the Administrative Agent, (i) reduce the fees owing (or to become owing) to the Administrative Agent under the Fee Letter or (ii) amend, modify or waive any provision of this Section 9. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 10. Notices. All notices, requests, and other communications to any party hereunder shall be in writing (including bank wire, telecopy, or similar writing) and shall be given to such party, addressed to it, at its address or telecopy number set forth below or such other address or telecopy number as such party may hereafter specify for the purpose by notice to the other party. Each such notice, request, or communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified below, (ii) if given by mail 10 days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified below.

<u>Party</u>	<u>Address</u>
Pacific Gas and Electric Company	77 Beale Street, Room 825-B8A P.O. Box 770000 San Francisco, CA 94105 Attn: Assistant Treasurer Telephone: (415) 973-2343 Telecopier: (415) 973-7059
The Issuing Agent and Administrative Agent	Union Bank of Switzerland New York Branch 299 Park Avenue New York, New York 10171 Attn: Mike Donohue Telephone: (212) 821-3854 Telecopier: (212) 821-3878
Each Bank	As provided on Schedule I;

provided that notices to the Issuing Agent under the Letter of Credit shall be delivered in accordance with the terms of and to the locations specified in the Letter of Credit.

SECTION 11. No Waiver; Remedies. No failure on the part of the Administrative Agent, the Issuing Agent any Bank or the Company to exercise, and no delay in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. The provisions of this Section 11 shall not be construed to abrogate the requirements of this Agreement for the giving of notice or the taking of actions at or prior to a specified time or date or in a specified manner.

SECTION 12. Waiver of Right of Setoff. To the extent the existence or exercise of such right under the circumstances and at the time described below would be a basis for enjoining or otherwise limiting or delaying or avoiding any payment under the Letter of Credit or the presentation of documents or making a demand thereunder, the Issuing Agent hereby waives any right to setoff and apply any and all deposits (general or special, time or demand, provisional or final) or collateral at any time held and other indebtedness at any time owing by the Issuing Agent to or for the credit or the account of the Company if there shall be a drawing under the Letter of Credit at any time during the pendency of any proceeding by or against the Company seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, custodian, trustee, or other similar official for it or for any substantial part of its property, against any and all of the obligations of the Company now or hereafter existing in respect of the reimbursement obligation of the Company set forth in paragraph (a) of Section 2 hereof. This Section shall not constitute a waiver of any right of setoff if there shall be a drawing under the Letter of Credit at any time other than that described in this Section. The Issuing Agent further agrees that it will not at any time accept any collateral as security for the payment of the reimbursement obligation of the Company set forth in paragraph (a) of Section 2 hereof with respect to any Bonds, unless provision is made prior to or simultaneously with the taking of such collateral security by the Issuing Agent, for an equal and ratable interest in such collateral security to be granted to the appropriate trustee for the benefit of the holders from time to time of such Bonds. At the present time, the Issuing Agent has neither accepted nor required any collateral as security for the payment of the reimbursement obligation of the Company set forth in paragraph (a) of Section 2 of this Agreement, except as provided in Section 16 of this Agreement.

SECTION 13. Indemnification. The Company hereby indemnifies and holds harmless the Issuing Agent, the Administrative Agent and each Bank from and against any and all claims, damages, losses, liabilities, cost or expenses whatsoever which the Issuing Agent, the Administrative Agent or any Bank may incur (or which may be claimed against the Issuing Agent, the Administrative Agent or any Bank by any person or entity whatsoever) (i) by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or the Preliminary Official Statement, or in any supplement or amendment to either thereof, or the omission or

alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading; or (ii) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to pay under, the Letter of Credit; provided that the Company shall not be required to indemnify the Issuing Agent, the Administrative Agent or any Bank for any claims, damages, losses, liabilities, costs or expenses (a) to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Issuing Agent, the Administrative Agent or such Bank, as the case may be, or (b) incurred by reason of any untrue statement contained in information furnished in writing by the Issuing Agent to the Company expressly for use in Appendix B to the Official Statement or Preliminary Official Statement. Nothing in this Section is intended to limit the Company's reimbursement obligation contained in paragraph (a) of Section 2 hereof.

SECTION 14. Continuing Obligation. The obligations of the Company under this Agreement shall continue until the later of (i) the Termination Date or (ii) the date upon which all amounts due and owing to the Issuing Agent, the Administrative Agent or the Banks hereunder shall have been paid in full and shall (a) be binding upon the Company and its successors and assigns and (b) inure to the benefit of and be enforceable by the Issuing Agent, the Administrative Agent or any Bank and their respective successors, transferees, and assigns; provided, however, that (i) the Company may not assign all or any part of this Agreement without the prior written consent of the Issuing Agent, the Administrative Agent and the Banks, (ii) the obligations of the Company pursuant to Section 13 shall survive the termination of this Agreement, and (iii) the right of the Banks to grant participations in the Loans, the Letter of Credit and this Agreement shall be subject to Section 22.

SECTION 15. Transfer of the Letter of Credit. The Letter of Credit may be transferred in accordance with the provisions set forth therein.

SECTION 16. Confirmation of Lien; Pledge. (a) The Company hereby grants to the Administrative Agent, to secure payment by the Company of sums due hereunder to the Issuing Agent, the Administrative Agent and the Banks, a lien on moneys or instruments which the Company has an interest in or title to now or hereafter held in the Bond Fund (as such term is defined in the Indenture) or otherwise by the Trustee under any provision of the Indenture or the Loan Agreement and in the right of the Company to receive any such moneys or instruments. The Issuing Agent, the Administrative Agent and each Bank hereby confirms that such lien is and shall be junior and subordinate to the lien on such moneys in favor of

the holders of the Bonds, the Trustee, and the Tender Agent (as such term is defined in the Indenture).

(b) (i) The Company shall instruct the Trustee to hold and receive on the Administrative Agent's behalf and to deliver forthwith to the Administrative Agent any payment received by the Trustee in respect of the Credit Provider Bonds (including the proceeds of any remarketing of the Credit Provider Bonds). All such payments in respect of the Credit Provider Bonds which are paid to the Administrative Agent shall be credited as provided in Section 2(c)(vii).

(ii) The Administrative Agent agrees to release Credit Provider Bonds that are being remarketed pursuant to the Remarketing Agreement to the extent that the Administrative Agent receives reimbursement in cash of the principal and, if applicable, interest amounts of the Liquidity Drawing or Mandatory Purchase Drawing related to the purchase of such Credit Provider Bonds in a manner which will permit the reinstatement of the Letter of Credit Amount in respect of such Credit Provider Bonds in accordance with the terms of the Letter of Credit.

SECTION 17. Limited Liability of the Issuing Agent, the Administrative Agent and the Banks. The Company assumes all risks of the acts or omissions of the Trustee and any transferee of the Letter of Credit with respect to its use of the Letter of Credit. Neither the Issuing Agent, the Administrative Agent any Bank nor any of their respective officers or directors shall be liable or responsible for: (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Trustee and any beneficiary or transferee in connection therewith; (b) the validity, sufficiency, or genuineness of documents, or of any endorsements) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent, or forged; (c) payment by the Issuing Agent against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit; provided that the Company shall have a claim against the Issuing Agent, and the Issuing Agent shall be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Company which the Company proves were caused by (i) the Issuing Agent's willful misconduct or gross negligence in determining whether documents presented under the Letter of Credit comply with the terms thereof or (ii) the Issuing Agent's willful failure to pay under the Letter of Credit after the presentation to it by the Trustee (or a successor trustee under the Indenture to whom the Letter of Credit has been

transferred in accordance with its terms) of a demand and certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Agent may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the Trustee and the Company have notified the Issuing Agent that such documents do not comply with the Letter of Credit.

SECTION 18. Costs, Expenses and Taxes. The Company agrees to pay within 30 days of demand all reasonable costs and expenses in connection with the preparation, execution, delivery, filing, and administration of this Agreement and any other documents which may be delivered in connection with this Agreement, including, without limitation, the fees and expenses of counsel for the Issuing Agent and the Administrative Agent with respect thereto and with respect to advising the Issuing Agent and the Administrative Agent as to their rights and responsibilities under this Agreement or any waiver or amendment of, or the enforcement of, this Agreement and such other documents which may be delivered in connection with this Agreement; provided, however, the Company's obligation to pay the fees and expenses of counsel for the Issuing Agent, the Administrative Agent and the Banks incurred in connection with the preparation, execution and delivery of this Agreement and the Related Documents shall not exceed \$13,334. In addition, the Company shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and such other documents and agrees to save and hold harmless the Issuing Agent, the Administrative Agent and each Bank from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees; provided that the Issuing Agent, the Administrative Agent or such Bank, as the case may be, agrees promptly to notify the Company of any such taxes and fees which are incurred by it.

SECTION 19. Severability. Any provision of this Agreement which is prohibited, unenforceable, or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability, or legality of such provision in any other jurisdiction.

SECTION 20. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California.

SECTION 21. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

SECTION 22. Assignments and Participations.

(a) In the event that any Bank shall not consent to a proposed extension of the Scheduled Termination Date requested in accordance with Section 3(a) or fails to respond to such a request, then, with the prior consent of the Issuing Agent, the Administrative Agent shall have the right, but not the obligation, to replace such Person as a "Bank" hereunder, by (i) purchasing (or arranging the purchase by another Person of) the Participation Interests of the non-consenting Bank for a purchase price equal to the principal amount thereof plus accrued but unpaid interest thereon and (ii) assuming (or arranging for the assumption of) the obligations of the non-consenting Bank hereunder. If the Administrative Agent elects to replace (or arranges the replacement of) any Person as a "Bank" hereunder, such Person shall cease to be a "Bank" hereunder and shall, upon receipt of payment for its outstanding Participation Interests, if any, execute and deliver to the Administrative Agent (or the replacement Person identified by the Administrative Agent) an instrument of assignment (in form and substance satisfactory to the Administrative Agent) assigning all of its rights and obligations hereunder, including, without limitation, its Commitment and its Participation Interests, to the Administrative Agent (or the replacement Person identified by the Administrative Agent).

(b) Each Bank may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Participation Interests held by it); provided, however, that (i) the Issuing Agent and the Company shall consent in writing to such assignment (which consent shall not be unreasonably withheld); provided, that the Company's consent shall not be required for an assignment to a Federal Reserve Bank, (ii) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, (iii) the aggregate amount of the Commitment of the assigning Bank subject to each such assignment (determined as of the date such assignment is to become effective) shall not be less than \$10,000,000, (iv) after giving effect to such assignment, the amount of the Commitment of the assignor Bank and the assignee Bank shall in each case shall be not less than \$10,000,000, provided that this restriction shall not apply to any assignor Bank that assigns 100% of its Commitment and Participation Interests and (v) the parties to each such assignment shall execute and deliver to the Administrative Agent an instrument

of assignment (which shall be in form and substance satisfactory to the Administrative Agent), together with the Participation Interest or Participation Interests subject to such assignment and a processing and recordation fee of \$2,000. From and after the effective date specified in each such instrument of assignment, which effective date shall be at least five Business Days after the execution thereof, (aa) the assignee thereunder (if not already a party hereto) shall become a party hereto and, to the extent provided in such instrument of assignment, have the rights and obligations of a "Bank" under this Agreement and (bb) the assigning Bank thereunder shall, to the extent provided in such assignment, be released from its obligations under this Agreement (and, in the case of an instrument of assignment covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(c) Each Bank may, without the consent of the Issuing Agent, the Company or any other party hereto, grant participation rights in its rights and obligations hereunder and its Participation Interests to one or more Participants; provided, however, that such participation rights shall be obligations only of such Bank and shall not create any direct obligation of the Company to any such Participant under this Agreement or create any direct liability of any such Participant under this Agreement except to the extent provided in Section 2(d). The grant of any participation rights by a Bank shall not affect or diminish the rights and obligations of such Bank hereunder.

(d) Notwithstanding the provisions of Section 9, the Administrative Agent shall, without the consent of any Person, revise Schedule I and distribute a copy thereof to the Company, the Issuing Agent and each Bank following the replacement of a Bank pursuant to Section 22(a) hereof and following the effectiveness of any assignment made pursuant to Section 22(b) hereof. Absent manifest error, each revision to Schedule I shall be binding upon the parties hereto from the date on which such revised Schedule I is first distributed to such parties.

(e) In connection with any proposed assignment or grant of participation rights, a Bank may disclose to the proposed assignee or Participant any information that the Company is required to deliver to such Bank hereunder or under the other Related Documents; provided that if such information shall be confidential, such Bank may disclose such information only on the condition that the proposed assignee or Participant, as the case may be, agrees to respect the confidential nature of the information.

SECTION 23. Participation Interests; Payments to the Issuing Agent; Payments to the Banks.

(a) Participation Interests. Subject to the terms and conditions of this Agreement, the Issuing Agent hereby sells and transfers to each Bank, and each Bank hereby severally purchases from the Issuing Agent, an undivided participation interest in and to the rights and obligations of the Issuing Agent under and to the Letter of Credit, the Loans, this Agreement and the Related Documents (other than the Fee Letter) in the amount and percentage set forth on Schedule I hereto under the caption "Commitment" and "Pro Rata Percentage", respectively. In the event that the Issuing Agent is required to (x) honor any drawing made under the Letter of Credit (a "Drawing") and is not reimbursed therefor in the manner provided herein and in the Indenture or (y) make a Loan hereunder, the Issuing Agent shall promptly advise each Bank thereof by telephone (promptly confirmed in writing) or by written notice. Upon receipt of such a notice, each Bank severally and unconditionally agrees to pay to the Issuing Agent for its undivided participation interest (each such interest, a "Participation Interest") in such Drawing or Loan, as the case may be, an amount equal to the product of such Bank's Pro Rata Percentage and the sum of the amount of such Drawing or such Loan and accrued and unpaid interest thereon from the date of such Drawing or Loan through but excluding the date of such Bank's payment at the Overnight Federal Funds Rate (such purchase price, the "Purchase Price"). The Issuing Agent shall determine the Purchase Price each Bank must pay for each Participation Interest, and each such determination shall be conclusive and binding on each Bank absent manifest error. The Purchase Price of each Participation Interest shall be paid (without set-off, counterclaim or deduction of any kind whatsoever) to the Issuing Agent in the manner set forth below in subsection (c) of this Section 23. Regardless of the date on which the Issuing Agent notifies a Bank of a Drawing under the Letter of Credit or the making of a Loan hereunder and regardless of the date on which such Bank provides the Purchase Price to the Issuing Agent, such Bank shall be deemed to have acquired such Participation Interest on the date such Drawing was honored or such Loan made; provided, however, that, notwithstanding such deemed acquisition, no Bank shall receive any payment of principal and interest with respect to any Participation Interest until the Issuing Agent has received the Purchase Price for such Participation Interest from such Bank. Upon each acquisition of a Participation Interest, each Bank shall be deemed to be the legal owner of such Participation Interest and the holder of an equitable interest (as contemplated by Section 541 of 11 U.S.C.) in the unreimbursed Drawing or Loan which gave rise to the acquisition of such Participation Interest. Following each acquisition of a Participation Interest to a Bank, the Issuing Agent shall deliver to such Bank a certificate, in

substantially the form attached hereto as Exhibit C and executed by the Issuing Agent, in order to evidence such Participation Interest (each, a "Participation Interest Certificate").

(b) Nature of Obligations. Each Bank's obligation to pay the Purchase Price for each Participation Interest created hereunder constitutes an absolute, unconditional, and continuing obligation and will be unaffected by (i) any participation of any of such Bank's obligations hereunder to any Person; (ii) any invalidity, unenforceability, or insufficiency of this Agreement, the Letter of Credit or any Related Document; (iii) any amendment or waiver of any term of this Agreement, the Letter of Credit or any Related Document made or granted in accordance herewith; (iv) any extension, indulgence, settlement or compromise granted or agreed to in relation to this Agreement, the Letter of Credit or any Related Document made or granted in accordance herewith; (v) any default by or insolvency of the Company; (vi) any act or omission on the Administrative Agent's or the Issuing Agent's part relating to this Agreement, the Letter of Credit or any Related Document so long as such acts or omissions are not the result of gross negligence or wilful misconduct; (vii) the occurrence or existence of a Default or an Event of Default hereunder; or (viii) the absence of notice to each Bank of any of the foregoing, so long as such notice is not otherwise required to be given hereunder. All purchases of Participation Interests shall be made by the Banks pro rata on the basis of their Pro Rata Percentages. It is understood that no Bank shall be responsible for any default by any other Bank of its obligation to acquire Participation Interests pursuant to this Section 23 and that each Bank shall be obligated to pay the Purchase Price to the Issuing Agent for the Participation Interests acquired by it pursuant to this Section 23 regardless of the failure of any other Bank to pay the Purchase Price for the Participation Interests acquired by it. Each Bank hereby waives presentment, protest, notice of non-payment of any amounts owing under this Agreement, and any defenses in law or equity which such Bank may have to the full discharge of any of its obligations under this Section 23.

(c) Payments to the Issuing Agent. Each Bank shall pay the Purchase Price for each Participation Interest acquired by it by transferring such amount, in immediately available funds, to the account previously designated in writing by the Issuing Agent to such Bank (such account, the "Issuing Agent's Account"), (i) at or before 4:00 p.m. (New York City time)/1:00 p.m. (Los Angeles time) on the same Business Day, if telephonic or written notice from the Issuing Agent requesting such Bank to pay such Purchase Price is received no later than 1:00 p.m. (New York City time)/10:00 a.m. (Los Angeles time) on any Business Day or (ii) at or before 1:00 p.m. (New York City time)/10:00 a.m. (Los Angeles

time) on the Business Day next following the date on which notice is received, if telephonic or written notice from the Issuing Agent requesting such Bank to pay such Purchase Price is received later than 1:00 p.m. (New York City time)/10:00 a.m. (Los Angeles time) on any Business Day. Telephonic notice shall be deemed given to a Bank when actually given to any person who identifies himself or herself as an authorized employee at such Bank's office at such Bank's address set forth in Section 10. Telephonic notices delivered pursuant to this Section shall be promptly confirmed in writing. If any Bank fails to pay the Purchase Price for any Participation Interest when due, such Bank hereby agrees that the Issuing Agent shall be entitled to receive, and such Bank shall pay to the Issuing Agent, interest on such Purchase Price from the date when due until paid at a rate equal to (x) the Overnight Federal Funds Rate for the first two Business Days and (y) the Prime Rate in effect on each date thereafter plus 1% per annum.

(d) Payments to the Banks.

(i) The Issuing Agent shall act as paying agent on behalf of the Banks and shall transfer to each Bank in accordance with the payment instructions delivered in writing by such Bank to the Issuing Agent the following amounts when (and if) the Issuing Agent receives them and in the same type of funds in which the Issuing Agent receives them: such Bank's proportionate share (based on its Pro Rata Percentage) of all payments in respect of each Loan made by the Issuing Agent and each Drawing made under the Letter of Credit which resulted in a sale of Participation Interests. Funds received by the Issuing Agent on behalf of any Bank under this subsection (d)(i) shall, if received by the Issuing Agent prior to 3:00 p.m. (New York City time)/12:00 Noon (Los Angeles time) on any Business Day, be paid to such Bank no later than the Issuing Agent's close of business on the same Business Day. Funds received by the Issuing Agent on behalf of any Bank after 3:00 p.m. (New York City time)/12:00 Noon (Los Angeles time) on any Business Day shall be paid to the Banks no later than 1:00 p.m. (New York City time)/10:00 a.m. (Los Angeles time) on the next Business Day. Except as otherwise provided in this Agreement, no Bank shall have any right to receive any other amounts received by the Issuing Agent under this Agreement or under any Related Document.

(ii) The Administrative Agent shall act as paying agent on behalf of the Banks and shall transfer to each Bank in accordance with the payment instructions delivered in writing by such Bank to the Administrative Agent the following amounts when (and if) the Administrative Agent receives them and in the same type of funds in which the Administrative Agent receives them: (aa) such Bank's proportionate share (based on its Pro Rata Percentage) of all payments in respect

of Credit Provider Bonds; (bb) such Bank's proportionate share (based on its Pro Rata Percentage) of all commissions paid by the Company pursuant to Section 2(b)(i); (cc) payments in respect of increased costs and Taxes duly payable to such Bank pursuant to Section 2(d) and 2(f), respectively; (dd) costs and expenses payable by the Company to the Administrative Agent hereunder and with respect to which a Bank has reimbursed the Administrative Agent pursuant to Section 24(f) hereof and (ee) payments, if any, received by the Administrative Agent on behalf of such Bank pursuant to Sections 13 and 18. Funds received by the Administrative Agent on behalf of any Bank under this Section shall, if received by the Administrative Agent prior to 3:00 p.m. (New York City time)/12:00 Noon (Los Angeles time) on any Business Day, be paid to such Bank no later than the Administrative Agent's close of business on the same Business Day. Funds received by the Administrative Agent on behalf of any Bank after 3:00 p.m. (New York City time)/12:00 Noon (Los Angeles time) on any Business Day shall be paid to the Banks no later than 1:00 p.m. (New York City time)/10:00 a.m. (Los Angeles time) on the next Business Day. Except as otherwise provided in this Agreement, no Bank shall have any right to receive any other amounts received by the Administrative Agent under this Agreement or under any Related Document.

(iii) Notwithstanding paragraph (i) of this subsection (d), until such time as a Bank pays the Purchase Price for any Participation Interest acquired by it hereunder, all payments in respect of such Participation Interest shall be retained by the Issuing Agent.

(e) General Payment Provisions.

(i) Each Bank represents that it is (aa) organized under the laws of the United States or a state thereof, or (bb) entitled to the benefits of an income tax treaty with the United States which provides for an exemption from United States withholding tax on interest and other payments to be made hereunder to such Bank; or (cc) all interest and other payments to be made hereunder to such Bank will be effectively connected with the conduct by such Bank of a trade or business within the United States. Each Bank agrees to furnish to the Administrative Agent and the Issuing Agent either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Bank claims entitlement to complete exemption from U.S. federal withholding tax on all interest and other payments hereunder) and agrees (for the benefit of the Administrative Agent and the Issuing Agent) to provide to the Administrative Agent or the Issuing Agent a new Form 4224 or Form 1001 upon the reasonable request of the Administrative Agent or the Issuing Agent in accordance with applicable U.S. laws and regulations. Neither the Administrative Agent nor the Issuing Agent shall

be obligated to make any payments hereunder to any Bank until such Bank shall have furnished to the Administrative Agent and/or the Issuing Agent the requested form.

(ii) If the Administrative Agent or the Issuing Agent determines at any time that any amount received or collected by the Administrative Agent or the Issuing Agent, as the case may be, pursuant to this Agreement must be returned to the Trustee or the Company or the Issuer, or paid to any other person or entity pursuant to any insolvency law, any sharing clause, or otherwise, then, notwithstanding any other provision of this Agreement, the Administrative Agent or the Issuing Agent, as the case may be, shall not be required to distribute any portion thereof to any Bank, and each Bank will promptly on demand by the Administrative Agent or the Issuing Agent, as the case may be, repay any portion thereof that the Administrative Agent or the Issuing Agent, as the case may be, shall have distributed to such Bank, together with interest thereon at such rate, if any, as the Administrative Agent or the Issuing Agent, as the case may be, shall pay to the Trustee, the Company, the Issuer, or such other person or entity with respect thereto.

(iii) Each of the Banks agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Related Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Loans, unpaid Drawings or commissions, of a sum which with respect to the related sum or sums received by the other Banks is in a greater proportion than such Bank's Pro Rata Percentage of such sum or sums, then such Bank receiving such excess payment shall purchase for cash without recourse or warranty from the other Banks an interest in the obligations of the Company to such Banks in such amount as shall result in a proportional participation by all the Banks in such amount; provided, however, that if all or any portion of such excess amount is thereafter recovered from such Bank, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

SECTION 24. The Administrative Agent.

(a) Appointment. The Issuing Agent and each Bank hereby designates and appoints UBS as "Administrative Agent" to act as specified herein and to exercise any and all rights and remedies which the Issuing Agent may have under the Related Documents. The Issuing Agent and each Bank hereby irrevocably authorize the Administrative Agent to take such action on its behalf under the provisions of this Agreement and any other instruments and agreements referred to herein

and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Administrative Agent by the terms hereof and such other powers as are reasonably incidental thereto. The Issuing Agent hereby irrevocably delegates to the Administrative Agent all rights and remedies which the Issuing Agent may have under the Related Documents and the Issuing Agent hereby irrevocably authorizes the Administrative Agent to exercise such rights and remedies and to take such action on its behalf under the provisions of the Related Documents and any other instruments and agreements referred to therein as are specifically delegated to or required of the Issuing Agent by the terms thereof and such other powers as are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder by or through its officers, directors, agents or employees.

(b) Nature of Duties. The Administrative Agent shall have no duties or responsibilities to the Issuing Agent or the Banks except those expressly set forth in this Agreement and the Related Documents. Neither the Administrative Agent nor any of its officers, directors, agents or employees shall be liable to the Issuing Agent or any Bank for any action taken or omitted by it or them hereunder or under any Related Document or in connection herewith or therewith, unless caused by its or their gross negligence or willful misconduct. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement, the Letter of Credit or any Related Document a fiduciary relationship in respect of any Bank or the Issuing Agent; and nothing in this Agreement, the Letter of Credit or any Related Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement, the Letter of Credit or any Related Document except as expressly set forth herein. Upon receipt by the Administrative Agent of any notice or request under this Agreement or information described in Section 7(a), the Letter of Credit or the Related Documents, the Administrative Agent shall promptly forward copies of any such notice, request or information to the Issuing Agent and each Bank.

(c) Lack of Reliance on the Administrative Agent. Independently and without reliance upon the Administrative Agent, each Bank, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Company in connection with its Commitment and the purchase of Participation Interests hereunder and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of the Company and, except as expressly provided in this Agreement, the Administrative

Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before or after the Date of Issuance. Independently and without reliance upon the Administrative Agent, the Issuing Agent, to the extent it deems appropriate, has made and shall continue to make (aa) its own independent investigation of the financial condition and affairs of the Company and the Banks in connection with the issuance and maintenance of the Letter of Credit and the taking or not taking of any action in connection herewith and (bb) its own appraisal of the creditworthiness of the Company and the Banks and, except as expressly provided in this Agreement, the Administrative Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide the Issuing Agent with any credit or other information with respect thereto, whether coming into its possession before or after the Date of Issuance. The Administrative Agent shall not be responsible to the Issuing Agent or any Bank for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectability, priority or sufficiency of this Agreement, the Letter of Credit or any Related Document or the financial condition of the Company or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement, the Letter of Credit or any Related Document, or the financial condition of the Company or the existence or possible existence of any Default or Event of Default.

(d) Certain Rights of the Administrative Agent. If the Administrative Agent shall request instructions from the Issuing Agent, the Banks, the Majority Banks or any Bank (or any combination thereof) with respect to any act or action (including failure to act) in connection with this Agreement, the Letter of Credit or any Related Document, the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until the Administrative Agent shall have received instructions from the Issuing Agent, the Banks, the Majority Banks or such Bank (or combination thereof), as the case may be; and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, except as otherwise expressly provided herein, neither the Issuing Agent nor any Bank shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder or under any Related Document in accordance with the instructions of the Majority Banks.

(e) Reliance. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that the Administrative Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement, the Letter of Credit and any Related Document and its duties hereunder and thereunder, upon advice of counsel selected by the Administrative Agent.

(f) Indemnification. To the extent the Administrative Agent is not reimbursed and indemnified by the Company, each Bank will reimburse and indemnify the Administrative Agent, on the basis of its Pro Rata Percentage, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties hereunder or under any Related Document, or in any way relating to or arising out of this Agreement, the Letter of Credit or any Related Document; provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, claims, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct; and provided further that upon such reimbursement and indemnification by a Bank, such Bank shall be subrogated to its Pro Rata Percentage of all rights which the Administrative Agent has with respect thereto.

(g) The Administrative Agent in its Individual Capacity. With respect to its obligation to purchase Participation Interests under this Agreement, the Administrative Agent shall have the rights and powers specified herein for a "Bank" and may exercise the same rights and powers as though it were not performing the duties of syndication agent specified herein; and the term "Banks," "Majority Banks" or any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity as a Bank. The Administrative Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Company or any affiliate of the Company as if it were not performing the duties specified herein, and may accept fees and other consideration from the Company for services in connection with this Agreement and otherwise without having to account for the same to the Issuing Agent or any Bank.

(h) Resignation by the Administrative Agent.

(i) The Administrative Agent may resign from the performance of all its functions and duties hereunder at any time by giving 60 Business Days' prior written notice to the Company, the Issuing Agent and the Banks. Such resignation shall take effect upon the appointment of a successor Administrative Agent pursuant to paragraphs (ii) and (iii) below or as otherwise provided below.

(ii) Upon any such notice of resignation, the Issuing Agent and the Majority Banks shall appoint a successor Administrative Agent hereunder who shall be a commercial bank or trust company reasonably acceptable to the Company.

(iii) If a successor Administrative Agent shall not have been so appointed within such 60 Business Day period, the Administrative Agent, with the consent of the Company, may then appoint a successor Administrative Agent who shall serve as Administrative Agent hereunder or thereunder until such time, if any, as the Issuing Agent and the Majority Banks appoint a successor Administrative Agent as provided above.

(iv) If no successor Administrative Agent has been appointed pursuant to paragraph (ii) or (iii) above by the 65th Business Day after the date such notice of resignation was given by the Administrative Agent, the Administrative Agent's resignation shall become effective and the Issuing Agents and the Banks shall thereafter perform all the duties of the Administrative Agent hereunder and/or under the Letter of Credit or any Related Document until such time, if any, as the Issuing Agent and the Majority Banks appoint a successor Administrative Agent as provided above.

SECTION 25. The Issuing Agent.

(a) Appointment. The Administrative Agent and each Bank hereby designates and appoints UBS as "Issuing Agent" to act as specified herein. The Administrative Agent and each Bank hereby irrevocably authorize the Issuing Agent to take such action on its behalf under the provisions of this Agreement and to exercise such powers and to perform such duties hereunder as are specifically required of the Issuing Agent by the terms hereof and such other powers as are reasonably incidental thereto. The Issuing Agent may perform any of its duties hereunder by or through its officers, directors, agents or employees.

(b) Nature of Duties. The Issuing Agent shall have no duties or responsibilities to the Administrative Agent or the Banks except those expressly set forth in this Agreement. Neither the Issuing Agent nor any of its officers, directors, agents or employees shall be liable to the Administrative Agent or any Bank for any action taken or omitted by it or them hereunder or in connection herewith, unless caused by its

or their gross negligence or willful misconduct. The duties of the Issuing Agent set forth herein shall be mechanical and administrative in nature; the Issuing Agent shall not have by reason of this Agreement, the Letter of Credit or any Related Document a fiduciary relationship in respect of any Bank or the Administrative Agent; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Issuing Agent any obligations in respect of this Agreement except as expressly set forth herein. Upon receipt by the Issuing Agent of any notice under the Letter of Credit (other than drawing certificates presented in connection with scheduled payments of principal of and interest on Bonds) or the Related Documents, the Issuing Agent shall promptly forward copies of any such notice to the Administrative Agent.

(c) Lack of Reliance on the Issuing Agent.

Independently and without reliance upon the Issuing Agent, each Bank, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Company in connection with its Commitment and the purchase of Participation Interests hereunder and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of the Company and, except as expressly provided in this Agreement, the Issuing Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before or after the issuance of the Letter of Credit. The Issuing Agent shall not be responsible to the Administrative Agent or any Bank for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectability, priority or sufficiency of this Agreement or any Related Document or the financial condition of the Company or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any Related Document, or the financial condition of the Company or the existence or possible existence of any Default or Event of Default.

(d) Certain Rights of the Issuing Agent. If the Issuing Agent shall request instructions from the Administrative Agent, the Banks, the Majority Banks or any Bank (or any combination thereof) with respect to any act or action (including failure to act) in connection with this Agreement, the Issuing Agent shall be entitled to refrain from such act or taking such action unless and until the Issuing Agent shall have received instructions from the Administrative Agent, the Banks, the Majority Banks or such Bank (or

combination thereof), as the case may be; and the Issuing Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, except as otherwise expressly provided herein, neither the Administrative Agent nor any Bank shall have any right of action whatsoever against the Issuing Agent as a result of the Issuing Agent acting or refraining from acting hereunder in accordance with the instructions of the Majority Banks.

(e) Reliance. The Issuing Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that the Issuing Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and its duties hereunder, upon advice of counsel selected by the Issuing Agent.

(f) Indemnification. To the extent the Issuing Agent is not reimbursed and indemnified by the Company, each Bank will reimburse and indemnify the Issuing Agent, on the basis of its Pro Rata Percentage, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Issuing Agent in performing its duties hereunder, or in any way relating to or arising out of this Agreement; provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, claims, suits, costs, expenses or disbursements resulting from the Issuing Agent's gross negligence or willful misconduct; and provided further that upon such reimbursement and indemnification by a Bank, such Bank shall be subrogated to its Pro Rata Percentage of all rights which the Issuing Agent has with respect thereto.

(g) The Issuing Agent in its Individual Capacity. The Issuing Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Company or any affiliate of the Company as if it were not performing the duties specified herein, and may accept fees and other consideration from the Company for services in connection with this Agreement and otherwise without having to account for the same to the Administrative Agent or any Bank.

(h) Register. The Issuing Agent shall maintain at its principal office a register in which it shall record the principal amount of each Bank's outstanding Participation Interests. The Issuing Agent's entries in this register shall be conclusive, absent manifest error, and shall be binding on all parties hereto. The Issuing Agent's register shall be

available for inspection by the Company, the Administrative Agent or any Bank during business hours upon prior reasonable notice.

(i) Holders. The Issuing Agent may deem and treat the holder of any Participation Interest Certificate as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Issuing Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Participation Interest Certificate shall be conclusive and binding on any subsequent holder, transferee, assignee or endorsee, as the case may be, of such Participation Interest Certificate or of any Participation Interest Certificate or Participation Interest Certificates issued in exchange therefor.

SECTION 26. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

SECTION 27. No Third Party Beneficiaries. Each party agrees that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

PACIFIC GAS AND ELECTRIC COMPANY

By KM Harvey
Kent M. Harvey
Vice President and Treasurer

The Issuing Agent and
the Administrative Agent

UNION BANK OF SWITZERLAND,
New York Branch

By DE
Name: DAVID E. MIKULA
Title: VICE PRESIDENT

By Mary V. Turnbath
Name: MARY V. TURNBATH
Title: ASSISTANT TREASURER

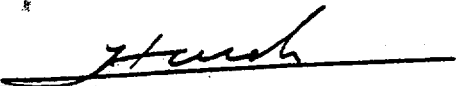
The Banks

UNION BANK OF SWITZERLAND,
New York Branch

By DE K
Name: DAVID E. MIBULA
Title: VICE PRESIDENT

By MARY V. TURNBACH
Name: MARY V. TURNBACH
Title: ASSISTANT TREASURER

THE SUMITOMO BANK, LIMITED,
San Francisco Branch

By 
Name: Yuji Harada
Title: General Manager

BANK OF MONTREAL, Acting through
its Chicago Branch

By J. K. Harche
Name: JOHN K. HACHE
Title: DIRECTOR

SCHEDULE I

<u>Bank [Name and Address]</u> <u>Percentage</u>	<u>Commitment</u>	<u>Pro Rata</u>
Union Bank of Switzerland New York Branch 299 Park Avenue New York, NY 10171	\$32,534,247.00	30.964798%
The Sumitomo Bank Limited San Francisco Branch 555 California Street Suite 3350 San Francisco, CA 94104	\$52,534,247.00	50.000000%
Bank of Montreal 601 South Figueroa St. Suite 4900 Los Angeles, CA 90017	\$20,000,000.00	19.035202%
Total	<u>\$105,068,494.00</u>	<u>100.000000%</u>