Investigation: 19-09-016
(U 39 M)
Date: January 31, 2020
Witness(es): Various

PACIFIC GAS AND ELECTRIC COMPANY

PLAN OF REORGANIZATION OII 2019

PREPARED TESTIMONY

VOLUME 3



PACIFIC GAS AND ELECTRIC COMPANY
PLAN OF REORGANIZATION OII 2019
PREPARED TESTIMONY

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TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

PACIFIC GAS AND ELECTRIC COMPANY

Reconciliation and Tie between Trust Indenture Act of 1939 and Indenture of Mortgage, dated as of March 11, 2004.

Trust Indenture Act Section		Indenture Section(s)
Section 310	(a)(1)	11.09
	(a)(2)	11.09
	(a)(3)	11.14(B)
	(a)(4)	Not Applicable
	(b)	11.08, 11.10
Section 311	(a)	11.13
	(b)	11.13
	(c)	Not Applicable
Section 312	(a)	12.01
	(b)	12.01
	(c)	12.01
Section 313	(a)	12.02
	(b)	12.02
	(c)	12.02
	(d)	12.02
Section 314	(a)	12.02
	(b)	7.08
	(c)(1)	1.04
	(c)(2)	1.04
	(c)(3)	1.05
	(d)	5.02, 7.07(b), 8.03, 8.04, 8.08
	(e)	1.04
Section 315	(a)	11.01, 11.03
	(b)	11.02
	(c)	11.01
	(d)	11.01
	(e)	10.18
Section 316	(a)	10.16
	(a)(1)(A)	10.16
	(a)(1)(B)	10.17
	(a)(2)	Not Applicable
	(b)	10.12
Section 317	(a)(1)	10.06
	(a)(2)	10.09
	(b)	7.03
Section 318	(a)	1.09
	(e)	1.09

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INDENTURE OF MORTGAGE (this "Indenture"), dated as of March 11, 2004 between **PACIFIC GAS AND ELECTRIC COMPANY**, a corporation duly organized and existing under the laws of the State of California (the "Company"), and **BNY WESTERN TRUST COMPANY**, a California banking corporation, as Trustee (the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture, as originally executed and delivered, to provide for the issuance from time to time of its Bonds (as hereinafter defined) to be issued in one or more series or Tranches (as hereinafter defined) as contemplated herein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Bonds.

Prior to the Release Date (as hereinafter defined), the Bonds will be secured by a lien on and security interest in the Mortgaged Property (as hereinafter defined) to the extent provided herein.

All acts necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been performed. For all purposes of this Indenture, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned to them in Article I of this Indenture.

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that, in consideration of the premises and of the purchase of the Bonds by the Holders thereof, and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Bonds from time to time Outstanding and the performance of the covenants therein and herein contained, and to declare the terms and conditions on which such Bonds are secured, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and continuing lien on, the following (subject, however, to the terms and conditions set forth in this Indenture):

GRANTING CLAUSE FIRST

All right, title and interest of the Company, as of the Execution Date (as hereinafter defined), in and to all property, real, personal and mixed, located in the State of California, including without limitation all right, title and interest of the Company in and to the following property so located: (a) all real property owned in fee, easements and other interests in real property, including, without limitation, the leasehold estate of the Company created by the Diablo Canyon Lease (as hereinafter defined); (b) all licenses and permits to use the real property of others, franchises to use public roads, streets and other public properties, rights of way and other rights or interests relating to the occupancy or use of real property; (c) all facilities, machinery, equipment and fixtures for the generation, transmission and distribution of electric energy including, but not limited to, all plants, switchyards, towers, substations, transformers, poles, lines, cables, conduits, ducts, conductors, meters, regulators and all other property used or to be

used for any or all of such purposes; (d) all facilities, machinery, equipment and fixtures for the transmission and transportation, storage and distribution of gas including, but not limited to, gas works, stations and substations, transmission pipelines, storage facilities, holders, tanks, retorts, purifiers, odorizers, scrubbers, compressors, valves, regulators, pumps, mains, pipes, service pipes, conduits, ducts, fittings and connections, services, meters and any and all other property used or to be used for any or all of such purposes; (e) all buildings, offices, warehouses, structures or improvements in addition to those referred to or otherwise included in clauses (a), (c) and (d) above; (f) all computers, data processing, data storage, data transmission and/or telecommunications facilities, equipment and apparatus; and (g) all of the foregoing property in the process of construction;

GRANTING CLAUSE SECOND

All right, title and interest of the Company in, to and under all property, real, personal and mixed, located in the State of California which may be hereafter acquired by the Company, it being the intention of the Company that all such property acquired by the Company after the Execution Date shall be as fully embraced within and subjected to the lien hereof as if such property were owned by the Company as of the Execution Date;

GRANTING CLAUSE THIRD

All right, title and interest of the Company in, to and under any Excepted Property, which may, from time to time after the Execution Date, by delivery or by an instrument supplemental to this Indenture, be subjected to the lien hereof by the Company, the Trustee being hereby authorized to receive the same at any time as additional security hereunder; it being understood that any such subjection to the lien hereof of any Excepted Property as additional security may be made subject to such reservations, limitations or conditions respecting the use and disposition of such property or the proceeds thereof as shall be set forth in such instrument;

GRANTING CLAUSE FOURTH

All right, title and interest of the Company, whether now owned or hereafter acquired, in, to and under (i) all goods (as such term is defined in the California Commercial Code as in effect on the date hereof) located in the State of California, and (ii) all money, deposit accounts, instruments, investment property and other property (as such terms are defined in the California Commercial Code as in effect on the date hereof) paid or delivered to, deposited with, or held by the Trustee hereunder;

GRANTING CLAUSE FIFTH

All right, title and interest, whether now owned or hereafter acquired, of the Company in, to and under the rents, issues, profits, revenues and other income

and proceeds of the property expressly subjected or expressly required to be subjected to the lien of this Indenture, and all the estate, right, title and interest of every nature whatsoever of the Company in and to the same and every part thereof, and all other property of whatever kind and nature expressly subjected to the lien of this Indenture or stated to constitute Mortgaged Property by any of the terms and provisions hereof; and

GRANTING CLAUSE SIXTH

All proceeds (as such term is defined in the California Commercial Code as in effect on the date hereof) of the foregoing.

EXCEPTED PROPERTY

Expressly excepting and excluding, however, from the lien of this Indenture all right, title and interest of the Company in, to or under the following property (other than such property as is described in Granting Clause Third of this Indenture), whether now owned or hereafter acquired (the "Excepted Property"):

(a) all money, investment property and deposit accounts (as such terms are defined in the California Commercial Code as in effect on the date hereof), and all cash on hand or on deposit in banks or other financial institutions, shares of stock, interests in general or limited partnerships or limited liability companies, bonds, notes, other evidences of indebtedness and other securities, of whatever kind and nature, in each case to the extent not hereafter paid or delivered to, deposited with, or held by the Trustee hereunder;

(b) all accounts, chattel paper, commercial tort claims, documents, general intangibles, instruments, letter-of-credit rights and letters of credit (as such terms are defined in the California Commercial Code as in effect on the date hereof), other than those specifically described in clause (b) of Granting Clause First of this Indenture; and all contracts, leases (except the Diablo Canyon Lease), operating agreements and other agreements of whatever kind and nature; all contract rights, bills and notes (except to the extent that any of the same constitute investment property, in which case they are separately excepted from the lien of this Indenture under clause (a) above); all revenues, income and earnings, all accounts receivable, rights to payment and unbilled revenues, all rents, tolls, issues, product and profits, claims, credits, demands and judgments, including any rights in or to rates, revenue components, charges, tariffs or amounts arising therefrom, or in any amounts that are accrued and recorded in a regulatory account for collections by the Company; all governmental and other licenses, permits, franchises, consents and allowances, including all emission allowances (or similar rights) created under any similar existing or future law relating to abatement or control of pollution of the atmosphere, water or soil, other than those specifically described in clause (b) of Granting Clause First of this Indenture; and all patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights and other intellectual property,

including computer software and software licenses; and all claims, credits, choses in action and other intangible property;

(c) all automobiles, buses, trucks, truck cranes, tractors, trailers, motor vehicles and similar vehicles and movable equipment; all rolling stock, rail cars and other railroad equipment; all vessels, boats, barges and other marine equipment; all airplanes, helicopters, aircraft engines and other flight equipment; and all parts, accessories and supplies used in connection with any of the foregoing;

(d) all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the Mortgaged Property; all fuel, whether or not any such fuel is in a form consumable in the operation of the Mortgaged Property, including separate components of any fuel in the forms in which such components exist at any time before, during or after the period of the use thereof as fuel; all hand and other portable tools and equipment; and all furniture and furnishings;

(e) all personal property the perfection of a security interest in which is not governed by the California Commercial Code;

(f) all oil, gas and other minerals (as such terms are defined in the California Commercial Code as in effect on the date hereof); and all coal, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land; and all electric energy and capacity, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by the Company;

(g) all property which is the subject of a lease agreement designating the Company as lessee and all right, title and interest of the Company in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as security; provided, however, that the Company's right, title and interest in and to the property which is the subject of the Diablo Canyon Lease, and in, to and under the Diablo Canyon Lease shall not be Excepted Property;

(h) all property, real, personal and mixed, which subsequent to the Execution Date, has been released from the lien of this Indenture, and any improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any parts thereof;

(i) all property, real, personal and mixed, that is stated in Sections 8.10(d), 13.03 or 13.05 of this Indenture to not be subject to the lien of this Indenture; and

(j) all proceeds (as such term is defined in the California Commercial Code as in effect on the date hereof) of the foregoing,

provided, however, that Excepted Property shall not include the identifiable proceeds (as such term is defined in the California Commercial Code as in effect on the date hereof) of any Mortgaged Property that the Company has disposed of in violation of the terms of this Indenture; and provided, further, that subject to the provisions of Section 13.03, if, at any time after the occurrence of an Event of Default but prior to the Release Date, the Trustee, or any separate trustee or co-trustee appointed under Section 11.14 or any receiver appointed pursuant to Section 10.08 or otherwise, shall have entered into possession of all or substantially all the Mortgaged Property, to the extent permitted by law, all the Excepted Property described or referred to in the foregoing clauses (c) and (d) then owned or held or thereafter acquired by the Company, to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, shall immediately, and, in the case of any Excepted Property described or referred to in clause (g), to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, upon demand of the Trustee or such other trustee or receiver, become subject to the lien of this Indenture, junior and subordinate to any Liens at that time existing on such Excepted Property, and the Trustee or such other trustee or receiver may, to the extent permitted by law or by the terms of any such other Lien (and subject to the rights of the holders of all such other Liens), at the same time likewise take possession thereof; provided, however, that none of the Excepted Property described or referred to in the foregoing clauses (c), (d) and (g) shall become subject to the lien of this Indenture upon the occurrence of an Event of Default, if such Excepted Property is (x) subject to an existing agreement that prohibits the imposition of further Liens on such Excepted Property or (y) subject to an existing agreement providing for the sale or other disposition of such Excepted Property; provided, further, that whenever all Events of Default shall have been cured and the possession of all or substantially all of the Mortgaged Property shall have been restored to the Company, such Excepted Property shall again be excepted and excluded from the lien hereof to the extent set forth above; it being understood that the Company may, however, pursuant to Granting Clause Third, subject any Excepted Property to the lien of this Indenture whereupon the same shall cease to be Excepted Property;

TO HAVE AND TO HOLD all such property, real, personal and mixed, unto the Trustee, its successors in trust and their assigns forever;

SUBJECT, HOWEVER, to Permitted Liens; and

IN TRUST, NEVERTHELESS, for the equal and ratable benefit and security of the Holders from time to time of all Outstanding Bonds without any priority of any such Bond over any other such Bond;

PROVIDED, HOWEVER, that the right, title and interest of the Trustee in and to the Mortgaged Property shall cease, terminate and become void in accordance with, and subject to the conditions set forth in, Article VIII or Article IX hereof, and if, thereafter, the principal of and premium, if any, and interest, if any, on the Bonds shall have been paid to the Holders thereof, or shall have been paid to the Company pursuant to Section 7.03 hereof or to the appropriate Governmental Authority pursuant to applicable law after the Maturity thereof, then

and in that case this Indenture shall terminate, and the Trustee shall execute and deliver to the Company such instruments as the Company shall require to evidence such termination; otherwise this Indenture, and the estate and rights hereby granted, shall be and remain in full force and effect;

IT IS HEREBY COVENANTED AND AGREED by and between the Company and the Trustee that all the Bonds are to be authenticated and delivered, and that the Mortgaged Property is to be held, subject to the further covenants, conditions and trusts hereinafter set forth, and the Company hereby covenants and agrees to and with the Trustee, for the equal and ratable benefit of all Holders of the Bonds, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. General Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) reference to any gender shall include all other genders;

(c) all terms used herein without definition which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(d) all terms used herein without definition which are defined in the California Commercial Code shall have the meanings assigned to them therein;

(e) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States; and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean, at the election of the Company from time to time, such accounting principles as are generally accepted in the United States at the date of such computation or at the Execution Date; provided, however, that in determining generally accepted accounting principles applicable to the Company, effect shall be given, to the extent required, to any order, rule or regulation of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Company;

(f) any reference to an "Article", a "Section" or any other subdivision refers to an Article, a Section or other subdivision, as the case may be, of this Indenture; and

(g) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Accountant" means a Person engaged in the accounting profession or otherwise qualified to pass on accounting matters (including, but not limited to, a Person certified or licensed as a public accountant, whether or not then engaged in the public accounting profession), which Person, unless required under the terms hereof to be Independent, may be an employee, an Affiliate or an employee of an Affiliate of the Company.

"Acquired Facility" means any property which, within six (6) months prior to the date of its acquisition by the Company, has been used or operated by a Person or Persons other than the Company in a business similar to that in which such property has been or is to be used or operated by the Company.

"Act", when used with respect to any Holder of a Bond, has the meaning specified in Section 1.06.

"Adjusted Funded Property Basis" means, with respect to any Funded Property (including any Property Additions which have become Funded Property under the terms of this Indenture), the Funded Property Basis of such Funded Property after making deductions therefrom and additions thereto as contemplated by Section 1.03(b).

"Adjusted Property Additions Basis" means, with respect to any Property Additions which constitute Unfunded Property, the Property Additions Basis of such Property Additions after making deductions therefrom and additions thereto as contemplated by Section 1.03(b).

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct generally the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Annual Interest Requirements" has the meaning specified in Section 5.01(g).

"Attributable Debt" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with generally accepted accounting principles.

"Authenticating Agent" means any Person or Persons (other than the Company or an Affiliate of the Company) authorized by the Trustee to act on behalf of the Trustee to authenticate the Bonds of one or more series.

"Authorized Officer" means the Chairman of the Board, the President, the Chief Executive Officer, any Vice President, the Chief Financial Officer, the Treasurer or any other duly authorized officer, agent or attorney-in-fact of the Company named in an Officer's Certificate signed by any of such officers.

"Authorized Publication" means a newspaper or financial journal of general circulation, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays; or, in the alternative, shall mean such form of communication as may have come into general use for the dissemination of information of import similar to that of the information specified to be published by the provisions hereof. In the event that successive weekly publications in an Authorized Publication are required hereunder they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or in different Authorized Publications. In case, by reason of the suspension of publication of any Authorized Publication, or by reason of any other cause, it shall be impractical without unreasonable expense to make publication of any notice in an Authorized Publication as required by this Indenture, then such method of publication or notification as shall be made with the approval of the Trustee shall be deemed the equivalent of the required publication of such notice in an Authorized Publication.

"Authorized Purposes" means the authentication and delivery of Bonds, the release of property and/or the withdrawal of cash under any of the provisions of this Indenture.

"Bankruptcy Code" means the United States Bankruptcy Code, 11 United States Code § 101 *et seq.*, or any successor statute thereto.

"Board of Directors" means the board of directors of the Company, any committee thereof duly authorized to act in respect of matters relating to this Indenture or any other body fulfilling the function of a board of directors of a corporation authorized to act in respect of matters relating to this Indenture.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company that has been duly adopted by the Board of Directors, that is in full force and effect on the date of such certification and that has been delivered to the Trustee.

"Bond Register" and **"Bond Registrar"** have the respective meanings specified in Section 3.05.

"Bonds" means any securities, including any bonds, notes and other evidences of indebtedness, authenticated and delivered under this Indenture.

"Bonds of the Initial Series" has the meaning set forth in Article IV.

"Business Day" means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in (i) any Place of Payment or other location specified in the Bonds or this Indenture or (ii) the location of the Company's principal place of business or the Corporate Trust Office of the Trustee, are generally authorized or required by law, regulation or executive order to remain closed, except as may be otherwise specified as contemplated by Section 3.01.

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with generally accepted accounting principles.

"Cash Deposit Amount" has the meaning specified in (i) Section 8.03, when used in Section 8.03, or (ii) Section 8.05, when used in Section 8.05.

"Cash Deposit Credit Items" has the meaning specified in Section 8.03.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act or, if at any time after the Execution Date, such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body, if any, performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Order" or **"Company Request"** means, respectively, a written order or request signed in the name of the Company by an Authorized Officer and delivered to the Trustee.

"Corporate Trust Office" means the office of the Trustee, at which at any particular time its corporate trust business shall be principally administered, which office, at the Execution Date, is located at 550 Kearney Street, Suite 600, San Francisco, California, 94108, Attention: Corporate Trust Administration, fax number (415) 399-1647.

"corporation" means a corporation, partnership, limited liability company, association, company, joint stock company or business trust, and references to "corporate" and other derivations of "corporation" herein shall be deemed to include appropriate derivations of such entities.

"Cost" has the meaning specified in Section 1.03.

"CPI Index" means the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for All Urban Consumers, U.S. City Average, "All Items" (1982-84 = 100), or any successor index thereof as such successor index may be appropriately adjusted to establish substantial equivalence with the Consumer Price Index; provided that if the Consumer Price Index ceases to be published and there is no successor thereto, such other index as the Company and the Trustee shall agree upon in writing shall be substituted for the Consumer Price Index.

"Debt" means any debt of the Company for money borrowed and guarantees by the Company of debt for money borrowed but in each case excluding liabilities in respect of Capital Lease Obligations or Swap Agreements.

"Deductible Limit" means, with respect to any fire insurance policy required to be maintained by the Company under Section 7.07, an amount equal to the greater of (i) Twenty-Five Million Dollars ($25,000,000) with respect to any such policy expiring in calendar year 2004; provided that, with respect to any policy expiring in any subsequent calendar year, such amount shall be increased by the same percentage increase in the CPI Index for the period commencing on January 1, 2004 and ending on the commencement date of such policy, and (ii)

three percent (3%) of the principal amount of the Bonds Outstanding on the commencement date of any such policy, and (iii) any other dollar amount which is applicable to fire insurance (x) on property of similar character maintained by companies similarly situated and operating like property or (y) on property as to which an equal primary fire insurance rate has been set by responsible insurance companies.

"Default" means any event that with the passage of time or the giving of notice or both would be an Event of Default.

"Defaulted Interest" has the meaning specified in Section 3.07.

"De Minimis Amount" means, as of the calculation date, an amount which is less than the greater of (i) Twenty-Five Thousand Dollars ($25,000) or (ii) one percent (1%) of the aggregate principal amount of the Bonds Outstanding at the time of calculation.

"Depositary" means, with respect to the Bonds of any series, or Tranche thereof, issuable or issued in whole or in part in the form of one or more Global Bonds, the Person designated as Depositary by the Company pursuant to Sections 3.01(q) and 3.13 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and, thereafter, "Depositary" shall mean or include each Person who is then a Depositary hereunder, and if at any time there is more than one such Person, "Depositary" as used with respect to Bonds of any such series shall mean the Depositary with respect to the Bonds of that series or Tranche.

"Deposited Cash" has the meaning specified in Section 5.04.

"Diablo Canyon Lease" means that certain lease dated September 17, 1966, between Eureka Energy Company, as lessor, and the Company, as lessee, which lease was originally entered into between Luigi Marre Land and Cattle Company, a California corporation, as lessor, and San Luis Obispo Bay Properties, Inc., a California corporation, as lessee, a memorandum of which Lease was recorded September 21, 1966 in Volume 1410, Page 556, Official Records, San Luis Obispo County, California, and any supplements, assignments and modifications thereto.

"Discount Bond" means any Bond which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 10.02. "Interest" with respect to a Discount Bond means interest, if any, borne by such Bond at a Stated Interest Rate.

"Dollar" or **"$"** means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"Effective Date" has the meaning set forth in the Plan.

"Eligible Obligations" means:

(a) with respect to Bonds denominated in Dollars, Government Obligations; or

(b) with respect to Bonds denominated in a currency other than Dollars or in a composite currency, such other obligations or instruments as shall be specified with respect to such Bonds as contemplated by Section 3.01.

"Event of Default" has the meaning specified in Section 10.01.

"Excepted Property" has the meaning specified in the Granting Clauses of this Indenture.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Execution Date" means the date on which the Bonds of the Initial Series are first issued under this Indenture.

"Expert" means a Person which is an engineer, appraiser, Accountant or other expert and which, with respect to any certificate to be signed by such Person and delivered to the Trustee, is qualified to pass upon the matters set forth in such certificate. For purposes of this definition, (a) "engineer" means a Person engaged in the engineering profession or otherwise qualified to pass upon engineering matters (including, but not limited to, a Person licensed as a professional engineer, whether or not then engaged in the engineering profession) and (b) "appraiser" means a Person engaged in the business of appraising property or otherwise qualified to pass upon the Fair Value or fair market value of property.

"Expert's Certificate" means a certificate signed by an Authorized Officer and by one or more Experts (which Expert(s) (a) shall be selected either by the Board of Directors or by an Authorized Officer, the execution of such certificate by such Authorized Officer to be conclusive evidence of such selection, and (b) except as otherwise required under the terms hereof to be Independent, may be an employee, an Affiliate or an employee of an Affiliate of the Company duly authorized either by the Board of Directors or by an Authorized Officer) and delivered to the Trustee. The amount stated in any Expert's Certificate as to the Cost, Fair Value or fair market value of property shall be conclusive and binding upon the Company, the Trustee and the Holders.

"Fair Value", with respect to property, means the fair value of such property as may be determined by reference to (a) the amount which would be likely to be obtained in an arm's-length transaction with respect to such property between an informed and willing buyer and an informed and willing seller, under no compulsion, respectively, to buy or sell, (b) the amount of investment with respect to such property which, together with a reasonable return thereon, would be likely to be recovered through ordinary business operations or otherwise, (c) Cost or replacement or reproduction cost, in each case less depreciation with respect to such property and/or (d) any other relevant factors; provided, however, that (x) the Fair Value of property shall be determined without deduction for any Senior Liens on such property, and (y) the Fair Value to the Company of Property Additions shall not reflect any reduction relating to the fact that such Property Additions may be of less value to a Person which is not the owner or operator of the Mortgaged Property or any portion thereof than to a Person which is such owner or operator. Fair Value of any property may be determined, without physical inspection, by the use of

accounting and engineering records and other data maintained by the Company (including on the basis of the Cost of such property) or otherwise available to the Expert certifying the same.

"Funded Cash" has the meaning specified in Section 1.02.

"Funded Property" has the meaning specified in Section 1.02.

"Funded Property Basis" means, with respect to any Funded Property (including any Property Additions which have become Funded Property under the terms of this Indenture), the Net Cost of such property or, if the Net Fair Value to the Company of such property at the time the same became Funded Property was certified to be an amount less than the Net Cost thereof, such Net Fair Value, as so certified, in lieu of Net Cost.

"Funded Property Retired" means, with respect to any Funded Property, (a) any such property that has been abandoned, destroyed, sold, lost through casualty or taken through the enforcement of the power of eminent domain or similar right or otherwise disposed of or released from the lien of this Indenture and (b) Miscellaneous Personalty. Such property shall thereupon cease to be Funded Property under this Indenture but, as herein provided, may at any time thereafter again become Funded Property. Notwithstanding the foregoing or anything to the contrary contained herein, neither any reduction in the Cost or book value of property recorded in the plant or other property account of the Company (other than with respect to Miscellaneous Personalty), nor the transfer of any amount appearing in such account to intangible and/or adjustment accounts, otherwise than in connection with actual retirements of physical property that has been disposed of as provided above and otherwise than in connection with the removal of such property in its entirety from the plant or property account, shall be deemed to constitute Funded Property Retired.

"Global Bond" means a Bond representing all or part of a series of Bonds, or Tranche thereof, issued to the Depositary for such series or Tranche in accordance with Section 3.13, and bearing the legend prescribed in Section 3.13.

"Governmental Authority" means the government of the United States or of any state or territory thereof or of the District of Columbia or of any county, municipality or other political subdivision of any thereof, or any department, agency, authority or other instrumentality of any of the foregoing.

"Government Obligations" means securities which are (a) (i) direct obligations of the United States where the payment or payments thereunder are supported by the full faith and credit of the United States or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States where the timely payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by the United States or (b) depository receipts issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of or other amount with respect to any such Government Obligation held by such custodian for the account of the holder of a depository receipt; provided, that, (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount

received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of or other amount with respect to the Government Obligation evidenced by such depository receipt.

"Holder" means a Person in whose name a Bond is registered in the Bond Register.

"Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Indenture and any such supplemental indenture, respectively. The term "Indenture" shall also include the provisions or terms of particular series of Bonds established in any Officer's Certificate, Board Resolution or Company Order delivered pursuant to Sections 2.01, 3.01 and 14.07.

"Independent", when applied to any Accountant, Expert or other specified Person, means such a Person who (a) does not have any direct or indirect material financial interest in the Company or in any other obligor upon the Bonds or in any Affiliate of the Company or of such other obligor, (b) is not connected with the Company, an Affiliate of the Company or such other obligor as an officer, employee, promoter, underwriter, trustee, partner, director or any person performing similar functions and (c) is appointed or selected by the Company and approved by the Trustee in the exercise of reasonable care.

"Independent Expert's Certificate" means a certificate signed by an Independent Expert and delivered to the Trustee.

"Interest Payment Date", when used with respect to any Bond, means the Stated Maturity of an installment of interest on such Bond.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor federal statute.

"Investment Securities" means any of the following obligations or investment property on which neither the Company, any other obligor on the Bonds nor any Affiliate of either is the obligor: (a) Government Obligations; (b) interest bearing deposit accounts (which may be represented by certificates of deposit) in any national or state bank (which may include the Trustee or any Paying Agent) or savings association which has outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short-term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long-term securities; (c) bankers' acceptances drawn on and accepted by any commercial bank (which may include the Trustee or any Paying Agent) which has outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short-term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long-term securities; (d) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any state or territory of the United States or the District of Columbia, or any political subdivision of any of the foregoing, which are rated by a nationally

recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short-term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long-term securities; (e) bonds or other obligations of any agency or instrumentality of the United States; (f) corporate debt securities which are rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short-term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long-term securities; (g) repurchase agreements with respect to any of the foregoing obligations or securities with any banking or financial institution (which may include the Trustee or any Paying Agent) which has outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short-term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long-term securities; (h) securities issued by any regulated investment company (including any investment company for which the Trustee or any Paying Agent is the advisor), as defined in Section 851 of the Internal Revenue Code or any such successor section of the Internal Revenue Code, provided that the portfolio of such investment company is limited to obligations or securities of the character and investment quality contemplated in clauses (a) through (f) above and repurchase agreements which are fully collateralized by any of such obligations or securities; and (i) any other obligations or securities which may lawfully be purchased by the Trustee in its capacity as such.

"Issuance Date Secured Debt Ratings" means the initial ratings on the Bonds of the Initial Series assigned by Standard & Poor's Ratings Group and Moody's Investors Service, Inc., respectively.

"Lien" means any mortgage, deed of trust, pledge, security interest, encumbrance, easement, lease, reservation, restriction, servitude, charge or similar right and any other lien of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, and any defect, irregularity, exception or limitation in record title or, when the context so requires, any lien, claim or interest arising from any of the foregoing.

"Make-up Amount" has the meaning specified in (i) Section 7.07(c)(ii)(C), when used in Section 7.07(c), or (ii) Section 8.04(c)(vii), when used in Section 8.04.

"Maturity", when used with respect to any Bond, means the date on which the principal of such Bond or an installment of principal or any sinking fund payment becomes due and payable as provided in such Bond or in this Indenture, whether at the Stated Maturity, by declaration of acceleration, upon call for redemption or otherwise.

"Minor Loss" means a particular loss by reason of fire damage with respect to any Mortgaged Property in an amount which is less than the greater of (i) as to any loss occurring in calendar year 2004, Fifty Million Dollars ($50,000,000); provided, that with respect to any loss occurring in any subsequent calendar year, such amount shall be increased by the same percentage increase in the CPI Index for the period commencing on January 1, 2004 and ending on January 1 of the calendar year in which such loss occurs, and (ii) three percent (3%) of the principal amount of Bonds Outstanding on the date of such particular loss.

"Miscellaneous Personalty" means all of those personal property assets that, pursuant to the Company's then current accounting methods, are retired or removed from the Company's plant or other property account (in the absence of actual physical abandonment, destruction, loss, sale or other disposition of such personal property assets) on the basis of the "vintage" or age of such personal property assets regardless of whether or not, subsequent to such retirement or removal, such personal property assets actually remain in use by the Company (referred to herein as "vintage retirement"). The types of personal property assets constituting "Miscellaneous Personalty" may change from time to time and will be determined solely by whether or not, under the Company's then current accounting methods, such personal property assets are subject to vintage retirement as described above.

"Mortgaged Property" means the property described in Granting Clause First through Granting Clause Sixth of this Indenture, other than Excepted Property.

"Net Cost" means, with respect to Funded Property and Unfunded Property, as of the date of calculation thereof, the Cost of such property, less the lesser of (i) the outstanding principal amount of any Senior Lien Obligations as of the date of calculation of such Cost or (ii) the Cost of such property.

"Net Earnings Certificate" has the meaning specified in Section 5.01(g).

"Net Fair Value" means, with respect to Funded Property and Unfunded Property, as of the date of calculation thereof, the Fair Value of such property, less the lesser of (i) the outstanding principal amount of any Senior Lien Obligations as of the date of calculation of such Fair Value or (ii) the Fair Value of such property.

"Net Income" has the meaning specified in Section 5.01(g).

"Net Tangible Assets" means the total amount of the Company's assets determined on a consolidated basis in accordance with generally accepted accounting principles as of a date determined pursuant to Section 7.11(b) or 8.12(b), *less* (a) the sum of the Company's consolidated current liabilities determined in accordance with generally accepted accounting principles, and (b) the amount of the Company's consolidated assets classified as intangible assets, determined in accordance with generally accepted accounting principles, including, but not limited to, such items as goodwill, trademarks, trade names, patents, and unamortized debt discount and expense and regulatory assets carried as an asset on the Company's consolidated balance sheet.

"1920 Mortgage" means the First and Refunding Mortgage, dated as of December 1, 1920, between the Company and BNY Western Trust Company, as successor trustee, as heretofore amended and supplemented.

"Non-Recurring Charges" has the meaning specified in Section 5.01(g).

"Notice of Default" has the meaning specified in Sections 10.01(c) and 10.01(f).

"Officer's Certificate" means a certificate signed by an Authorized Officer and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company or other counsel acceptable to the Trustee and who may be an employee, an Affiliate or an employee of an Affiliate of the Company.

"Outstanding", when used with respect to Bonds, means, as of the date of determination, all Bonds theretofore authenticated and delivered under this Indenture, except:

(a) Bonds theretofore canceled or delivered to the Bond Registrar or the Trustee for cancellation;

(b) Bonds deemed to have been paid for all purposes of this Indenture in accordance with Section 9.01 (whether or not the Company's indebtedness in respect thereof shall be satisfied and discharged for any other purpose); and

(c) Bonds, the principal of, premium, if any, and interest, if any, on which have been fully paid pursuant to the third paragraph of Section 3.06 or in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to this Indenture, other than any such Bonds in respect of which there shall have been presented to the Trustee proof satisfactory to it and the Company that such Bonds are held by a protected purchaser;

provided, however, that in determining whether or not the Holders of the requisite principal amount of the Bonds Outstanding under this Indenture, or the Outstanding Bonds of any series or Tranche, have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether or not a quorum is present at a meeting of Holders of Bonds,

(x) Bonds owned by the Company or any other obligor upon the Bonds or any Affiliate of the Company or of such other obligor (unless the Company, such obligor and/or such Affiliate owns all Bonds Outstanding under this Indenture, or all Outstanding Bonds of each such series and each such Tranche, as the case may be, determined without regard to this clause (x)) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Bonds which the Trustee actually knows to be so owned shall be so disregarded; provided, however, that Bonds so owned which have been pledged in good faith may be regarded as Outstanding if it is established to the reasonable satisfaction of the Trustee that the pledgee, and not the Company, any such other obligor or Affiliate of either thereof, has the right so to act with respect to such Bonds and that the pledgee is not the Company or any other obligor upon the Bonds or any Affiliate of the Company or of such other obligor; and provided, further, that in no event shall any Bond which shall have been delivered to evidence, enhance or secure, in whole or in part, the Company's obligations in respect of other indebtedness be deemed to be owned by the Company if the principal of such Bond is payable, whether at Stated Maturity or upon mandatory redemption, at the same time as the principal of such other indebtedness is payable, whether at Stated Maturity or upon mandatory redemption or

acceleration, but only to the extent of such portion of the principal amount of such Bond as does not exceed the principal amount of such other indebtedness; and

(y) the principal amount of a Discount Bond that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 10.02; and

provided, further, that, in the case of any Bond the principal of which is payable from time to time without presentment or surrender, the principal amount of such Bond that shall be deemed to be Outstanding at any time for all purposes of this Indenture shall be the original principal amount thereof less the aggregate amount of principal thereof theretofore paid, unless otherwise specified pursuant to Section 3.01.

"Paying Agent" means any Person, including the Company, authorized by the Company to pay the principal of and premium, if any, or interest, if any, on any Bonds on behalf of the Company.

"Periodic Offering" means an offering of Bonds of a series from time to time any or all of the specific terms of which Bonds, including, without limitation, the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents from time to time subsequent to the initial request for the authentication and delivery of such Bonds by the Trustee, all as contemplated in Section 3.01 and Section 5.01(b).

"Permitted Liens" means, as of any particular time, any of the following:

(a) to the extent the Company consolidates with, or merges into, another entity, Liens on the assets of such entity in existence on the date of such consolidation or merger and securing debt of such entity, provided that such debt and Liens were not created or incurred in anticipation of such consolidation or merger and do not extend to any other Mortgaged Property of the Company in existence immediately prior to the consolidation or merger;

(b) as to property acquired by the Company after the Execution Date, Liens existing or placed thereon at the time of the acquisition thereof, provided that such Liens do not extend to any other Mortgaged Property;

(c) Liens for taxes, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith by appropriate proceedings;

(d) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' Liens, other Liens incident to construction, Liens or privileges of any employees of the Company for salary or wages earned, but not yet payable, and other Liens, including, without limitation, Liens for workers' compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings;

(e) Liens in respect of attachments, judgments or awards arising out of judicial or administrative proceedings (i) in an amount not exceeding the greater of (A) Ten Million Dollars ($10,000,000) to the extent in existence in calendar year 2004; provided, that, with respect to any such Liens in existence in any subsequent calendar year, such amount shall be increased by the percentage increase in the CPI Index for the period commencing on January 1, 2004, and ending on January 1 of the applicable calendar year and (B) three percent (3%) of the principal amount of the Bonds then Outstanding or (ii) with respect to which the Company shall (A) in good faith be prosecuting an appeal or other proceeding for review and with respect to which the Company shall have secured a stay of execution pending such appeal or other proceeding or (B) have the right to prosecute an appeal or other proceeding for review;

(f) easements, encumbrances, leases, reservations or other rights of others in, on, over and/or across, and laws, regulations and restrictions affecting, and defects, irregularities, exceptions and limitations in title to, the Mortgaged Property or any part thereof; provided, however, that such easements, encumbrances, leases, reservations, rights, laws, regulations, restrictions, defects, irregularities, exceptions and limitations do not, in the opinion of the Company, materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company;

(g) conservation easements in accordance with the Plan;

(h) defects, irregularities, exceptions and limitations in title to real property subject to rights-of-way or other similar rights in favor of the Company or used or to be used by the Company primarily for right-of-way purposes or real property held under lease, easement, license or similar right; provided, however, that (i) the Company shall have obtained from the apparent owner or owners of such real property a sufficient right, by the terms of the instrument granting such right-of-way, lease, easement, license or similar right, to the use thereof for the purposes for which the Company acquired the same, (ii) the Company has power under eminent domain or similar statutes to remove such defects, irregularities, exceptions or limitations or (iii) such defects, irregularities, exceptions and limitations may be otherwise remedied without undue effort or expense; and defects, irregularities, exceptions and limitations in title to flood lands, flooding rights and/or water rights;

(i) Liens securing indebtedness or other obligations neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest upon real property or rights in or relating to real property for the purpose of the distribution of electricity or gas, for the purpose of telephonic, telegraphic, radio, wireless or other electronic communication or otherwise for the purpose of obtaining rights-of-way;

(j) leases existing at the Execution Date, affecting Mortgaged Properties owned by the Company at said date and renewals and extensions thereof; and leases affecting such Mortgaged Properties entered into after the Execution Date or affecting Mortgaged Properties acquired by the Company after such date which, in either case, (i)

have respective terms of not more than ten (10) years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by the Company of such properties for the respective purposes for which they are held by the Company;

(k) Liens vested in lessors, licensors, franchisors or permittors for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or other amounts or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits, so long as the payment of such rent or other amounts or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings;

(l) controls, restrictions, obligations, duties and/or other burdens imposed by federal, state, municipal or other law, or by rules, regulations or orders of Governmental Authorities upon the Mortgaged Property or any part thereof or the operation or use thereof or upon the Company with respect to the Mortgaged Property or any part thereof or the operation or use thereof or with respect to any franchise, grant, license, permit or public purpose requirement, or any rights reserved to or otherwise vested in Governmental Authorities to impose any such controls, restrictions, obligations, duties and/or other burdens;

(m) rights which Governmental Authorities may have by virtue of franchises, grants, licenses, permits or contracts, or by virtue of law, to purchase, recapture or designate a purchaser of or order the sale of the Mortgaged Property or any part thereof, to terminate franchises, grants, licenses, permits, contracts or other rights or to regulate the property and business of the Company; and any and all obligations of the Company correlative to any such rights;

(n) Liens required by law or governmental regulations (i) as a condition to the transaction of any business or the exercise of any privilege or license, (ii) to enable the Company to maintain self-insurance or to participate in any funds established to cover any insurance risks, (iii) in connection with workers' compensation, unemployment insurance, social security, any pension or welfare benefit plan or (iv) to share in the privileges or benefits required for companies participating in one or more of the arrangements described in clauses (ii) and (iii) above;

(o) Liens on the Mortgaged Property or any part thereof which are granted by the Company to secure duties or public or statutory obligations or to secure, or serve in lieu of, surety, stay or appeal bonds;

(p) rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber and/or any electric capacity or energy, gas, water, steam and any other products, developed, produced, manufactured, generated, purchased or otherwise acquired by the Company or by others on property of the Company;

(q) (i) rights and interests of Persons other than the Company arising out of contracts, agreements and other instruments to which the Company is a party and which

relate to the common ownership or joint use of property; and (ii) all Liens on the interests of Persons other than the Company in property owned in common by such Persons and the Company if and to the extent that the enforcement of such Liens would not adversely affect the interests of the Company in such property in any material respect;

(r) any restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or a public utility or public service corporation;

(s) any Liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made;

(t) rights and interests granted pursuant to Section 8.02(c);

(u) Prepaid Liens;

(v) Purchase Money Liens on Mortgaged Property, but only to the extent the Company requests the subordination of the lien of this Indenture pursuant to Section 8.11;

(w) Liens contemplated by the Plan;

(x) the lien of the 1920 Mortgage prior to the Effective Date;

(y) any other Liens which are in existence on the Execution Date and do not exceed Twenty Million Dollars ($20,000,000);

(z) any other Liens of whatever nature or kind which do not, in the aggregate, exceed Fifty Million Dollars ($50,000,000) to the extent in existence in calendar year 2004, provided that with respect to any such Liens in existence in any subsequent calendar year, such amount shall be increased by the percentage increase in the CPI Index for the period commencing on January 1, 2004 and ending on January 1 of the applicable calendar year; and

(aa) the lien in favor of the Trustee pursuant to Section 11.07.

"Person" means any individual, corporation, limited liability partnership, joint venture, trust or unincorporated organization, or any other entity, whether or not a legal entity, or any Governmental Authority.

"Place of Payment", when used with respect to Bonds of any series, or any Tranche thereof, means the place or places, specified as contemplated by Section 3.01, at which the principal of and premium, if any, and interest, if any, on the Bonds of such series or Tranche are payable, subject, in either case, to Section 7.02.

"Plan" means the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Pacific Gas and Electric Company dated July 31, 2003, as Modified by Modifications Dated November 6, 2003 and December 19, 2003 and as modified by the Order dated February 27, 2004, Approving Technical Corrections to Plan of Reorganization and Supplementing

Confirmation Order to Incorporate such Corrections, and all exhibits, supplements, appendices and schedules thereto, as the same may be altered, amended or modified from time to time.

"Pledged Securities" means securities which are made the basis for the authentication and delivery of Bonds under Section 5.02, the release of Funded Property under Section 8.03 or the withdrawal of Funded Cash pursuant to Section 5.04 or Section 8.07.

"Predecessor Bond" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for the purposes of this definition, any Bond authenticated and delivered under Section 3.06 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Bond shall be deemed (to the extent lawful) to evidence the same debt as the mutilated, destroyed, lost or stolen Bond.

"Prepaid Lien" means any Lien securing indebtedness for the payment, prepayment or redemption of which there shall have been irrevocably deposited in trust with the trustee or other holder of such Lien moneys and/or investment property which (together with the interest reasonably expected to be earned from the investment and reinvestment in investment property of the moneys and/or the principal of and interest on the investment property so deposited) shall be sufficient for such purpose; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the Stated Maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the instrument creating such Lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder.

"Principal Property" means any property of the Company or any Significant Subsidiary, as applicable, other than (i) property that prior to the Release Date would have constituted Excepted Property, and (ii) property that were it to belong to the Company would have constituted Excepted Property prior to the Release Date.

"Property Additions" has the meaning specified in Section 1.03.

"Property Additions Basis" means, with respect to any Property Additions which constitute Unfunded Property, the lesser of the Net Cost or Net Fair Value to the Company of any such Property Additions as of the date such amount is certified to the Trustee.

"Purchase Money Lien" means, with respect to any property being acquired or disposed of by the Company or being released from the lien of this Indenture, a Lien on such property which:

(a) is taken or retained by the transferor of such property to secure all or part of the purchase price thereof;

(b) is granted to one or more Persons other than the transferor which, by making advances or incurring an obligation, give value to enable the grantor of such Lien to acquire rights in or the use of such property;

(c) is granted to any other Person in connection with the release of such property from the lien of this Indenture on the basis of the deposit with the Trustee of

obligations secured by such Lien on such property (as well as any other property subject thereto);

(d) is held by a trustee or agent for the benefit of one or more Persons described in clause (a), (b) and/or (c) above, provided that such Lien may be held, in addition, for the benefit of one or more other Persons which shall have theretofore given, or may thereafter give, value to or for the benefit or account of the grantor of such Lien for one or more other purposes; or

(e) otherwise constitutes a purchase money mortgage or a purchase money security interest under applicable law;

and, without limiting the generality of the foregoing, for purposes of this Indenture, the term Purchase Money Lien shall be deemed to include any Lien described in clauses (a) through (e) above whether or not such Lien (x) shall permit the issuance or other incurrence of additional indebtedness secured by such Lien on such property, (y) shall permit the subjection to such Lien of additional property and the issuance or other incurrence of additional indebtedness on the basis thereof and/or (z) shall have been granted prior to the acquisition, disposition or release of such property, shall attach to or otherwise cover property other than the property being acquired, disposed of or released and/or shall secure obligations issued prior and/or subsequent to the issuance of the obligations delivered in connection with such acquisition, disposition or release.

"Purchase Money Obligations" are those obligations secured by a Purchase Money Lien.

"Redemption Date", when used with respect to any Bond to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Bond to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture which price shall include principal of and premium, if any, payable on such Bond but shall not include any accrued interest payable with respect to such Bond.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Bonds of any series means the date specified for that purpose as contemplated by Section 3.01.

"Release Date" has the meaning specified in Section 8.12.

"Required Currency" has the meaning specified in Section 3.11.

"Responsible Officer", when used with respect to the Trustee, means any officer of the Trustee with direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Retired Bonds" means any Bonds authenticated and delivered under this Indenture which (i) no longer remain Outstanding by reason of the applicability of clause (a) or (b) in the

definition of "Outstanding" (other than any Predecessor Bond of any Bond), (ii) have not been made the basis under any of the provisions of this Indenture of one or more Authorized Purposes and (iii) have not been paid, redeemed, purchased or otherwise retired by the application thereto of Funded Cash.

"Senior Lien" means, with respect to all or any portion of the Mortgaged Property, a Permitted Lien which is prior to the lien of this Indenture.

"Senior Lienholder" means any trustee or other holder of a Senior Lien.

"Senior Lien Obligations" means any Purchase Money Obligation secured by a Purchase Money Lien that is a Senior Lien and any other indebtedness of the Company for borrowed money secured by a Senior Lien.

"Significant Subsidiary" shall have the meaning specified in Rule 1-02(w) of Regulation S-X under the Securities Act of 1933, as amended; provided that, Significant Subsidiary shall not include any Person, substantially all the assets of which are, or prior to the Release Date would have constituted, Excepted Property.

"Special Record Date" for the payment of any Defaulted Interest on the Bonds of any series means a date fixed by the Trustee pursuant to Section 3.07.

"Stated Interest Rate" means a rate (whether fixed or variable) at which an obligation by its terms is stated to bear simple interest. Any calculation or other determination to be made under this Indenture by reference to the Stated Interest Rate on an obligation shall be made (a) if the Company's obligations in respect of any other indebtedness shall be evidenced, enhanced or secured in whole or in part by such obligation, by reference to the lower of the Stated Interest Rate on such obligation and the Stated Interest Rate on such other indebtedness and (b) without regard to the effective interest cost to the Company of such obligation or of any such other indebtedness.

"Stated Maturity", when used with respect to any obligation (including any Bond of any series) or any installment of principal thereof or interest thereon, means the date on which the principal of such obligation or such installment of principal or interest is stated to be due and payable (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension).

"Subsidiary" means (i) any corporation at least a majority of the outstanding voting stock or interest of which is owned, directly or indirectly, by the Company or by one or more Subsidiaries, or by the Company and one or more Subsidiaries or (ii) any other Person (other than a corporation) of which the Company and/or one or more Subsidiaries has at least a majority ownership and power to direct the policies, management and affairs. For the purposes of this definition, "voting stock" means stock having voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Successor Corporation" has the meaning specified in Section 13.01.

"supplemental indenture" or **"indenture supplemental hereto"** means an instrument supplementing or amending this Indenture executed and delivered pursuant to Article XIV.

"Swap Agreement" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

"Tranche" means a group of Bonds which (a) are of the same series and (b) have identical terms except as to principal amount and/or date of issuance.

"Trust Indenture Act" means, as of any time, the Trust Indenture Act of 1939 or any successor statute, as in effect at such time.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean the Person which shall have become a successor trustee pursuant to the applicable provisions of this Indenture, and, if at any time there is more than one Person acting as trustee hereunder, "Trustee" shall mean each such Person so acting.

"Unfunded Property" means that portion of the Mortgaged Property which does not constitute Funded Property or Funded Cash.

"United States" means the United States of America, its territories, its possessions and other areas subject to its political jurisdiction.

"Unsecured Debt Ratings" means the ratings on the long-term unsecured debt obligations of the Company assigned by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. or their successors and assigns or, if either or both rating agencies shall not then rate the Company's long-term unsecured debt obligations, comparable ratings by any other nationally recognized rating agency or agencies selected by the Company.

SECTION 1.02. Funded Property; Funded Cash.

"Funded Property" means that portion of the Mortgaged Property which consists of:

(a) all Property Additions to the extent that the same shall have been made the basis of the authentication and delivery of Bonds under this Indenture pursuant to Section 5.02;

(b) all Property Additions to the extent that the same shall have been made the basis of the release of property from the lien of this Indenture pursuant to Section 8.03;

(c) all Property Additions to the extent that the same shall have been substituted for Funded Property Retired pursuant to Section 7.07 or 8.02;

(d) all Property Additions to the extent that the same shall have been made the basis of the withdrawal of cash held by the Trustee pursuant to Section 5.04, 7.07(b) or 8.07; and

(e) all Property Additions to the extent that the same shall have been used as the basis of a credit against, or otherwise in satisfaction of, the requirements of any sinking, improvement, maintenance, replacement or similar fund or analogous provision established with respect to the Bonds of any series, or any Tranche thereof, as contemplated by Section 3.01; provided, however, that any such Property Additions shall cease to be Funded Property when all of the Bonds of such series or Tranche shall cease to be Outstanding.

In the event that in any certificate filed with the Trustee in connection with any of the Property Additions referred to in clauses (a), (b), (c), (d) and (e) of this Section, only a part of the Property Additions Basis of the Property Additions described in such certificate shall be required for the purposes of such certificate, then such Property Additions shall be deemed to be Funded Property only to the extent so required for the purpose of such certificate.

The Company may make allocations, on a pro-rata or other reasonable basis (including, but not limited to, the designation of specific properties or the designation of all or a specified portion of the properties reflected in one or more generic accounts or subaccounts in the Company's books of account), for the purpose of determining the extent to which fungible properties, or other properties not otherwise identified, reflected in the same generic account or subaccount in the Company's books of account (collectively, "generic properties") constitute Funded Property or Funded Property Retired. To the extent that such generic properties within any such generic account or subaccount constitute in part Funded Property and in part Unfunded Property, (i) any disposition of such generic properties shall, unless otherwise specified by the Company, be deemed to be a disposition of that portion of the generic properties which constitutes Unfunded Property prior to any disposition of such portion which constitutes Funded Property and (ii) any addition of property to such generic account or subaccount shall, unless otherwise specified by the Company, be deemed to be Unfunded Property.

"Funded Cash" means that portion of the Mortgaged Property which consists of:

(a) cash, held by the Trustee hereunder, to the extent that it represents the proceeds of insurance on account of a loss on or with respect to Funded Property (except as otherwise provided in Section 7.07), or cash deposited in connection with the release of Funded Property pursuant to Article VIII, or the payment of the principal of, or the proceeds of the release of, Purchase Money Obligations delivered to the Trustee pursuant to Article VIII, all subject, however, to the provisions of Section 7.07 and Section 8.07; and

(b) any Deposited Cash.

SECTION 1.03. Property Additions; Cost.

(a) **"Property Additions"** means, as of any particular time, any item, unit or element of property which (i) at such time is owned by the Company, and (ii) constitutes Mortgaged Property; provided, however, that Property Additions shall not include:

(i) goodwill, going concern value rights or intangible property except as provided in subsection (c) of this Section; or

(ii) any property the cost of acquisition or construction of which is, in accordance with generally accepted accounting principles, properly chargeable to an operating expense account of the Company at the time of such acquisition or construction.

(b) When any Property Additions which constitute Unfunded Property are certified to the Trustee as the basis of any Authorized Purpose (except as otherwise provided in Section 8.03 and Section 8.07),

(i) there shall be deducted from the Property Additions Basis thereof an amount equal to the Funded Property Basis of all Funded Property Retired to the date of such certification (other than the Funded Property, if any, in connection with the application for the release of which such certificate is filed) and not theretofore deducted from the Property Additions Basis of Property Additions theretofore certified to the Trustee, and

(ii) there may, at the option of the Company, be added to such Property Additions Basis, the sum of

(A) the principal amount of any Purchase Money Obligations, not theretofore so added and which the Company then elects so to add, which shall theretofore have been delivered to the Trustee as the basis of the release of Funded Property Retired from the lien of this Indenture;

(B) one hundred fifty percent (150%) of the amount of any cash, not theretofore so added and which the Company then elects so to add, which shall theretofore have been delivered to the Trustee as the proceeds of insurance on Funded Property Retired (to the extent of the portion thereof deemed to be Funded Cash) or as the basis of the release of Funded Property Retired from the lien of this Indenture;

(C) one hundred fifty percent (150%) of the principal amount of any Bond or Bonds, or portion of such principal amount, not theretofore so added and which the Company then elects so to add, (I) which shall theretofore have been delivered to the Trustee as the basis of the release of Funded Property Retired or (II) the right to the authentication and delivery of which under the provisions of Section 5.03 shall at any time theretofore have been waived under Section 8.03(d)(ii)(C) as the basis of the release of Funded Property Retired;

(D) the Adjusted Funded Property Basis of any Property Additions, not theretofore so added and which the Company then elects so to add, which shall theretofore have been made the basis of the release of Funded Property Retired pursuant to Section 8.03; and

(E) the Net Cost to the Company of any Property Additions, not theretofore so added and which the Company then elects so to add, to the extent that the same shall have been substituted for Funded Property Retired;

provided, however, that the aggregate of the amounts added under clause (ii) above shall in no event exceed the amounts deducted under clause (i) above.

(c) Except as otherwise provided in Section 8.03, the term **"Cost"** with respect to Property Additions shall mean the sum of (i) any cash delivered in payment therefor or for the acquisition thereof, (ii) an amount equivalent to the fair market value in cash (as of the date of delivery) of any securities or other property delivered in payment therefor or for the acquisition thereof, (iii) the principal amount of any obligations secured by a Lien upon such Property Additions outstanding at the time of the acquisition thereof; (iv) the principal amount of any other obligations incurred or assumed in connection with the payment for such Property Additions or for the acquisition thereof, which obligations are not otherwise secured by a Lien on such Property Additions, and (v) any other amounts which, in accordance with generally accepted accounting principles, are properly charged or chargeable to the plant or other property accounts of the Company with respect to such Property Additions as part of the cost of construction or acquisition thereof, including, but not limited to, any allowance for funds used during construction or any similar or analogous amount, and construction work in progress; provided, however, that, notwithstanding any other provision of this Indenture,

(A) with respect to Property Additions owned by a Successor Corporation immediately prior to the time it shall have become such by consolidation or merger or acquired by a Successor Corporation in or as a result of a consolidation or merger (excluding, in any case, Property Additions owned by the Company immediately prior to such time), Cost shall mean the amount or amounts at which such Property Additions are recorded in the plant or other property accounts of such Successor Corporation, or the predecessor entity from which such Property Additions are acquired, as the case may be, immediately prior to such consolidation or merger;

(B) with respect to Property Additions which shall have been acquired (otherwise than by construction) by the Company without any consideration consisting of cash, securities or other property or the incurring or assumption of indebtedness, no determination of Cost shall be required, and, wherever in this Indenture provision is made for Cost or Fair Value, Cost with respect to such Property Additions shall mean an amount equal to the Fair Value to the Company thereof or, if greater, the aggregate amount reflected in the Company's books of account with respect thereto upon the acquisition thereof; and

(C) in no event shall the Cost of Property Additions be required to reflect (i) any depreciation or amortization in respect of such Property Additions, (ii) any adjustment to the amount or amounts at which such Property Additions are recorded in plant or other property accounts due to the non-recoverability of investment or otherwise, or (iii) at the election of the Company, reductions for contributions in aid of construction.

If any Property Additions are shown by the Expert's Certificate provided for in Section 5.02(b)(ii) to include Acquired Facilities, the Cost thereof need not be reduced by any amount in respect of any goodwill, going concern value rights and/or intangible property simultaneously acquired for which no separate or distinct consideration shall have been paid or apportioned, and

in such case the term Property Additions as defined herein may include such goodwill, going concern value rights and intangible property.

SECTION 1.04. Compliance Certificates and Opinions.

Except as otherwise expressly provided in this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, it being understood that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates provided pursuant to Section 7.10) shall include:

(a) a statement that each Person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such Person, such Person has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such Person, such condition or covenant has been complied with.

SECTION 1.05. Content and Form of Documents Delivered to Trustee.

Any Officer's Certificate may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and, insofar as it relates to or is dependent upon matters which are subject to verification by Accountants, upon a certificate or opinion of, or representations by, an Accountant, and, insofar as it relates to or is dependent upon matters which are required in this Indenture to be covered by a certificate or opinion of, or representations by, an Expert, upon the certificate or opinion of, or representations by, an Expert, unless, in any case, such officer has actual knowledge that the certificate or opinion or representations with respect to the matters upon which such Officer's Certificate may be based as aforesaid are erroneous.

Any Expert's Certificate may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company and which are not subject to verification by

Experts, upon a certificate or opinion of, or representations by, an officer or officers of the Company, unless such Expert has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous.

Any certificate of an Accountant may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company and which are not subject to verification by Accountants, upon a certificate of, or representations by, an officer or officers of the Company, unless such Accountant has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous.

Any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company, upon a certificate of, or representations by, an officer or officers of the Company, and, insofar as it relates to or is dependent upon matters which are subject to verification by Accountants upon a certificate or opinion of, or representations by, an Accountant, and, insofar as it relates to or is dependent upon matters required in this Indenture to be covered by a certificate or opinion of, or representations by, an Expert, upon the certificate or opinion of, or representations by, an Expert, unless such counsel has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous. In addition, any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon matters covered in an Opinion of Counsel rendered by other counsel, upon such other Opinion of Counsel, unless such counsel has actual knowledge that the Opinion of Counsel rendered by such other counsel with respect to the matters upon which his Opinion of Counsel may be based as aforesaid are erroneous. Further, any Opinion of Counsel with respect to the status of title to or the sufficiency of descriptions of property, and/or the existence, perfection or priority of Liens thereon, and/or the recording or filing of documents, and/or any similar matters, may be based (without further examination or investigation) upon (i) title insurance policies or commitments and reports, lien search certificates and other similar documents or (ii) certificates of, or representations by, officers, employees, agents and/or other representatives of the Company or (iii) any combination of the documents referred to in (i) and (ii), unless, in any case, such counsel has actual knowledge that the document or documents with respect to the matters upon which his opinion may be based as aforesaid are erroneous. If, in order to render any Opinion of Counsel provided for herein, the signer thereof shall deem it necessary that additional facts or matters be stated in any Officer's Certificate, certificate of an Accountant or Expert's Certificate provided for herein, then such certificate may state all such additional facts or matters as the signer of such Opinion of Counsel may request.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give

an opinion as to such matters in one or several documents. Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever, subsequent to the receipt by the Trustee of any Board Resolution, Officer's Certificate, Expert's Certificate, Opinion of Counsel or other document or instrument, a clerical, typographical or other inadvertent or unintentional error or omission shall be discovered therein, a new document or instrument may be substituted therefor in corrected form with the same force and effect as if originally filed in the corrected form and, irrespective of the date or dates of the actual execution and/or delivery thereof, such substitute document or instrument shall be deemed to have been executed and/or delivered as of the date or dates required with respect to the document or instrument for which it is substituted. Anything in this Indenture to the contrary notwithstanding, if any such corrective document or instrument indicates that action has been taken by or at the request of the Company which could not have been taken had the original document or instrument not contained such error or omission, the action so taken shall not be invalidated or otherwise rendered ineffective but shall be and remain in full force and effect, except to the extent that such action was a result of willful misconduct or bad faith. Without limiting the generality of the foregoing, any Bonds issued under the authority of such defective document or instrument shall nevertheless be the valid obligations of the Company entitled to the benefit of the lien of this Indenture equally and ratably with all other Outstanding Bonds, except as aforesaid.

SECTION 1.06. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, election, waiver or other action provided by this Indenture to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing or, alternatively, may be embodied in and evidenced by the record of Holders voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders duly called and held in accordance with the provisions of Article XV, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Bond, shall be sufficient for any purpose of this Indenture and (subject to Section 11.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders shall be proved in the manner provided in Section 15.06.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof or may

be proved in any other manner which the Trustee and the Company deem sufficient. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The ownership, principal amount (except as otherwise contemplated in clause (y) of the first proviso to the definition of Outstanding) and serial numbers of Bonds held by any Person, and the date of holding the same, shall be proved by the Bond Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of a Holder shall bind every future Holder of the same Bond and the Holder of every Bond issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Bond.

(e) Until such time as written instruments shall have been delivered to the Trustee with respect to the requisite percentage of principal amount of Bonds for the action contemplated by such instruments, any such instrument executed and delivered by or on behalf of a Holder may be revoked with respect to any or all of such Bonds by written notice by such Holder or any subsequent Holder, proven in the manner in which such instrument was proven.

(f) Bonds of any series, or any Tranche thereof, authenticated and delivered after any Act of Holders may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any action taken by such Act of Holders. If the Company shall so determine, new Bonds of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to such action may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Bonds of such series or Tranche.

(g) The Company may, at its option, by Company Order, fix in advance a record date for the determination of Holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or other Act solicited by the Company, but the Company shall have no obligation to do so. In addition, the Trustee may, at its option, fix in advance a record date for the determination of Holders entitled to join in the giving or making of any Notice of Default, any declaration of acceleration referred to in Section 10.02, any request to institute proceedings referred to in Section 10.11 or any direction referred to in Section 10.16. If any such record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act, or such notice, declaration, request or direction, may be given before or after such record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining (i) whether Holders of the requisite proportion of the Outstanding Bonds have authorized or agreed or consented to such Act (and for that purpose the Outstanding Bonds shall be computed as of the record date) and/or (ii) which Holders may revoke any such Act (notwithstanding subsection (e) of this Section); and any such Act, given as aforesaid, shall be effective whether or not the Holders which authorized or agreed or consented to such Act remain Holders after such record date and whether or not the Bonds held by such Holders remain Outstanding after such record date.

SECTION 1.07. Notices, Etc. to Trustee and Company.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Indenture to be made or served upon, given or furnished to, or filed with, the Trustee by any Holder or by the Company, or the Company by the Trustee or by any Holder, shall be sufficient for every purpose hereunder (unless otherwise expressly provided herein) if the same shall be in writing and delivered personally to the addressee (which delivery, with respect to the Trustee, shall be made to its Corporate Trust Office and addressed to the attention of the Corporate Trust Department), or transmitted by facsimile transmission or other direct written electronic means to such telephone number or other electronic communications address as the parties hereto shall from time to time designate, or transmitted by registered or certified mail, return receipt requested, or overnight courier guaranteeing next day delivery, charges prepaid, to the applicable address set forth opposite such party's name below or to such other address as either party hereto may from time to time designate:

If to the Trustee, to:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: Corporate Trust Administration
Fax: (415) 399-1647

If to the Company, to:

Pacific Gas and Electric Company
77 Beale Street (street address)
P.O. Box 770000
San Francisco, California 94177
Attention: Treasurer and Assistant Treasurer
Fax: (415) 267-7253/267-7265

Any communication contemplated herein shall be deemed to have been made, given, furnished and filed if personally delivered, on the date of delivery, if transmitted by facsimile transmission or other direct written electronic means, on the date of transmission, and if transmitted by registered or certified mail or reputable overnight courier, on the date of receipt.

SECTION 1.08. Notice to Holders of Bonds; Waiver.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given, and shall be deemed given, to Holders if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Any notice required by this Indenture may be waived in writing by the Person entitled to receive such notice, either before or after the event otherwise to be specified therein, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.09. Conflict With Trust Indenture Act.

If any provision of this Indenture limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Indenture by any provision of the Trust Indenture Act, the provision required or deemed to be included by the Trust Indenture Act shall control; and if any provision hereof otherwise conflicts with the Trust Indenture Act, or limits, qualifies or conflicts with the duties imposed by Section 318(c) of the Trust Indenture Act, the Trust Indenture Act, including the duties imposed by Section 318(c) of the Trust Indenture Act, shall control.

SECTION 1.10. Effect of Headings and Table of Contents.

The Article and Section headings in this Indenture and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.11. Successors and Assigns.

All covenants and agreements in this Indenture by the Company and the Trustee shall bind their respective successors and assigns, whether so expressed or not.

SECTION 1.12. Separability Clause.

In case any provision in this Indenture or the Bonds shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.13. Benefits of Indenture.

Nothing in this Indenture or the Bonds, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.14. Governing Law.

This Indenture and the Bonds shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

SECTION 1.15. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Bond shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Bonds other than a provision in Bonds of any series, or any Tranche thereof, or in the indenture supplemental hereto, Board Resolution or Officer's Certificate which establishes the terms of the Bonds of such series or Tranche, which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal and premium, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

SECTION 1.16. Investment of Cash Held by Trustee.

Any cash held by the Trustee or any Paying Agent under any provision of this Indenture shall, except as otherwise provided in Section 8.06 or in Article IX, at the request of the Company evidenced by Company Order, be invested or reinvested in Investment Securities designated by the Company (such Company Order to contain a representation to the effect that the securities designated therein constitute Investment Securities), and any interest on such Investment Securities shall be promptly paid over to the Company as received free and clear of any Lien. Such Investment Securities shall be held subject to the same provisions hereof as the cash used to purchase the same, but upon a like request of the Company shall be sold, in whole or in designated part, and the proceeds of such sale shall be held subject to the same provisions hereof as the cash used to purchase the Investment Securities so sold. If such sale shall produce a net sum less than the cost of the Investment Securities so sold, the Company shall pay to the Trustee or any such Paying Agent, as the case may be, such amount in cash as, together with the net proceeds from such sale, shall equal the cost of the Investment Securities so sold, and if such sale shall produce a net sum greater than the cost of the Investment Securities so sold, the Trustee or any such Paying Agent, as the case may be, shall promptly pay over to the Company an amount in cash equal to such excess, free and clear of any Lien. In no event shall the Trustee be liable for any loss incurred in connection with the sale of any Investment Security pursuant to this Section. In the absence of a Company Order directing the Trustee to invest cash held by the Trustee hereunder, the Company hereby directs the Trustee to invest such cash in Government Obligations having maturities of less than one year until the Trustee shall have received a Company Order directing the Trustee to invest such cash in another Investment Security. The Trustee shall not be accountable or liable for any losses resulting from the sale or depreciation in the market value of investments made pursuant to this Indenture and Company Orders.

Notwithstanding the foregoing, if an Event of Default shall have occurred and be continuing, interest on Investment Securities and any gain upon the sale thereof shall be held as part of the Mortgaged Property until such Event of Default shall have been cured or waived, whereupon such interest and gain shall be promptly paid over to the Company free and clear of any Lien.

ARTICLE II

BOND FORMS

SECTION 2.01. Forms Generally.

The definitive Bonds of each series shall be in substantially the form or forms established in the indenture supplemental hereto establishing such series, or in a Board Resolution establishing such series, or in an Officer's Certificate pursuant to such a supplemental indenture or Board Resolution, in any case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Bonds, as evidenced by their execution of the Bonds. If the form or forms of Bonds of any series are established in a Board Resolution or in an Officer's Certificate pursuant to a supplemental indenture or a Board Resolution, such Board Resolution and Officer's Certificate, if any, shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 5.01 for the authentication and delivery of such Bonds.

The Bonds of each series shall be issuable in registered form without coupons. The definitive Bonds shall be produced in such manner as shall be determined by the officers executing such Bonds, as evidenced by their execution thereof.

SECTION 2.02. Form of Trustee's Certificate of Authentication.

The Trustee's certificate of authentication shall be in substantially the form set forth below:

> This is one of the Bonds of the series designated therein referred to in the within-mentioned Indenture.
>
> [NAME OF TRUSTEE], as Trustee
>
> By:_____
> Authorized Signatory

ARTICLE III

THE BONDS

SECTION 3.01. Amount Unlimited; Issuable in Series.

Subject to the provisions of Article V, the aggregate principal amount of Bonds which may be authenticated and delivered under this Indenture is unlimited.

The Bonds may be issued in one or more series. Subject to the penultimate paragraph of this Section, prior to the authentication and delivery of Bonds of any series there shall be established by specification in a supplemental indenture or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or a Board Resolution:

(a) the title of the Bonds of such series (which shall distinguish the Bonds of such series from Bonds of all other series);

(b) any limit upon the aggregate principal amount of the Bonds of such series which may be authenticated and delivered under this Indenture (except for Bonds authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Bonds of such series pursuant to Section 3.04, 3.05, 3.06, 6.06 or 14.06 and except for any Bonds which, pursuant to Section 3.03, are deemed never to have been authenticated and delivered hereunder);

(c) the Persons (without specific identification) to whom interest on Bonds of such series, or any Tranche thereof, shall be payable on any Interest Payment Date, if other than the Persons in whose names such Bonds (or one or more Predecessor Bonds) are registered at the close of business on the Regular Record Date for such interest;

(d) the date or dates on which the principal of the Bonds of such series, or any Tranche thereof, is payable or any formula or other method or other means by which such date or dates shall be determined, by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension) and the right, if any, to extend the Maturity of the Bonds of such series, or any Tranche thereof, and the duration of any such extension;

(e) the rate or rates (or method of determination thereof) at which any Bonds of such series, or any Tranche thereof, shall bear interest, if any (including the rate or rates at which overdue principal shall bear interest, if different from the rate or rates at which such Bonds shall bear interest prior to Maturity, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any), or any formula or other method or other means by which such rate or rates shall be determined, by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise; the date or dates from which any such interest shall accrue (or method of determination thereof); the Interest Payment Dates on which any such interest shall be payable (or method of determination thereof) and the Regular Record Date, if any (which, in either case or both, if so provided in or pursuant to such Board Resolution or supplemental indenture, may be determined by the Company from time to time and set forth in the Bonds of such series, or any Tranche thereof, issued from time to time) for any such interest

payable on any Interest Payment Date; the basis of computation of interest if other than as provided in Section 3.10; and the right, if any, to extend the interest payment periods and the duration of any such extension;

(f) the place or places at which and/or the methods (if other than as provided elsewhere in this Indenture) by which (i) the principal of and premium, if any, and interest, if any, on Bonds of such series, or any Tranche thereof, shall be payable, (ii) registration of transfer of Bonds of such series, or any Tranche thereof, may be effected, (iii) exchanges of Bonds of such series, or any Tranche thereof, may be effected and (iv) notices and demands to or upon the Company in respect of the Bonds of such series, or any Tranche thereof, and this Indenture may be made, given, furnished, filed or served, if other than as provided in Section 1.07; the Bond Registrar and any Paying Agent or Agents for such series or Tranche; and, if such is the case, that the principal of such Bonds shall be payable without the presentment or surrender thereof;

(g) if the time for the giving of redemption notices for such series of Bonds, or any Tranche thereof, shall be other than as provided in Section 6.04, such different time, and the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which the Bonds of such series, or any Tranche thereof, may be redeemed, in whole or in part, at the option of the Company (including, without limitation, any provision for the payment of a "make-whole", yield-maintenance or similar premium in connection with the redemption of Bonds of such series during a "no-call" or other period during which such Bonds are generally not subject to optional redemption by the Company) and any restrictions on such redemptions;

(h) the obligation or obligations, if any, of the Company to redeem, purchase or repay the Bonds of such series, or any Tranche thereof, pursuant to any sinking fund or other mandatory redemption provisions or at the option of a Holder thereof and the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which such Bonds shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation, and applicable exceptions to the requirements of Section 6.04 in the case of mandatory redemption or redemption or repayment at the option of the Holder;

(i) the denominations in which Bonds of such series, or any Tranche thereof, shall be issuable if other than denominations of One Thousand Dollars ($1,000) and any integral multiple thereof;

(j) the currency or currencies, including composite currencies, in which payment of the principal of and premium, if any, and interest, if any, on the Bonds of such series, or any Tranche thereof, shall be payable (if other than in Dollars); it being understood that, for purposes of calculations under this Indenture (including calculations of principal amount under Article V), any amounts denominated in a currency other than Dollars or in a composite currency shall be converted to Dollar equivalents by calculating the amount of Dollars which could have been purchased by the amount of such other currency based on such quotations or methods of determination as shall be specified pursuant to this clause (j);

(k) if the principal of or premium, if any, or interest, if any, on the Bonds of such series, or any Tranche thereof, are to be payable, at the election of the Company or a Holder thereof, in

a coin or currency other than that in which the Bonds are stated to be payable, the coin or currency in which payment of any amount as to which such election is made will be payable, the period or periods within which, and the terms and conditions upon which, such election may be made; it being understood that, for purposes of calculations under this Indenture (including calculations of principal amount under Article V), any such election shall be required to be taken into account, in the manner contemplated in clause (j) of this paragraph, only after such election shall have been made;

(l) if the principal of or premium, if any, or interest, if any, on the Bonds of such series, or any Tranche thereof, are to be payable, or are to be payable at the election of the Company or a Holder thereof, in securities or other property, the type and amount of such securities or other property, or the formula or other method or other means by which such amount shall be determined, and the period or periods within which, and the terms and conditions upon which, any such election may be made; it being understood that all calculations under this Indenture (including calculations of principal amount under Article V) shall be made on the basis of the fair market value of such securities or the Fair Value of such other property, in either case determined as of the most recent practicable date, except that, in the case of any amount of principal or interest that may be so payable at the election of the Company or a Holder, if such election shall not yet have been made, such calculations shall be made on the basis of the amount of principal or interest, as the case may be, that would be payable if no such election were made;

(m)if the amount payable in respect of principal of or premium, if any, or interest, if any, on the Bonds of such series, or any Tranche thereof, may be determined with reference to an index, formula or other fact or event ascertainable outside of this Indenture, the manner in which such amounts shall be determined (to the extent not established pursuant to clause (e) of this paragraph); it being understood that all calculations under this Indenture (including calculations of principal amount under Article V) shall be made on the basis of the amount that would be payable as principal if such principal were due, or on the basis of the interest rates in effect, as the case may be, on the date next preceding the date of such calculation;

(n) if other than the entire principal amount thereof, the portion of the principal amount of Bonds of such series, or any Tranche thereof, which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 10.02;

(o) the terms, if any, pursuant to which the Bonds of such series, or any Tranche thereof, may be converted into or exchanged for shares of capital stock or other securities of the Company or any other Person;

(p) the obligations or instruments, if any, which shall be considered to be Eligible Obligations in respect of the Bonds of such series, or any Tranche thereof, denominated in a currency other than Dollars or in a composite currency, and any additional or alternative provisions for the reinstatement of the Company's indebtedness in respect of such Bonds after the satisfaction and discharge thereof as provided in Section 9.01;

(q) (i) whether the Bonds of such series, or any Tranche thereof, are to be issued as Global Bonds and if such Bonds are to be issued as Global Bonds, the Depositary for such Global Bonds, (ii) any limitations on the rights of the Holder or Holders of such Bonds to

transfer or exchange the same or to obtain the registration of transfer thereof, if other than as provided in Section 3.05, (iii) any limitations on the rights of the Holder or Holders thereof to obtain certificates therefor in definitive form in lieu of temporary form, and (iv) any and all other matters incidental to such Bonds;

(r) to the extent not established pursuant to clause (q) of this paragraph, any limitations on the rights of the Holders of the Bonds of such Series, or any Tranche thereof, to transfer or exchange such Bonds or to obtain the registration of transfer thereof; and if a service charge will be made for the registration of transfer or exchange of Bonds of such series, or any Tranche thereof, the amount or terms thereof;

(s) any exceptions to Section 1.15, or variation in the definition of Business Day, with respect to the Bonds of such series, or any Tranche thereof;

(t) if the principal of Bonds of such series is payable from time to time without presentation or surrender, any method or manner of calculating the principal amount of Bonds of such series that is Outstanding at any time for purposes of this Indenture, if other than as specified in the last proviso of the definition of "Outstanding";

(u) provisions, if any, for the exchange of certificates representing Bonds to reflect the release of the lien of this Indenture on the Release Date, and changes, if any, to the title and CUSIP number of the Bonds or any other changes necessary to reflect the release of the lien of this Indenture on the Release Date; and

(v) any other terms of the Bonds of such series, or any Tranche thereof.

With respect to Bonds of a series subject to a Periodic Offering, the indenture supplemental hereto or the Board Resolution which establishes such series, or the Officer's Certificate pursuant to such supplemental indenture or Board Resolution, as the case may be, may provide general terms or parameters for Bonds of such series and provide either that the specific terms of Bonds of such series, or any Tranche thereof, shall be specified in a Company Order or that such terms shall be determined by the Company or its agents in accordance with procedures specified in a Company Order as contemplated by Section 5.01(b).

Anything herein to the contrary notwithstanding, the Trustee shall be under no obligation to authenticate and deliver Bonds of any series the terms of which, established as contemplated by this Section, would adversely affect the rights, duties, obligations, liabilities or immunities of the Trustee under this Indenture or otherwise.

SECTION 3.02. Denominations.

Unless otherwise provided as contemplated by Section 3.01 with respect to any series of Bonds, or any Tranche thereof, the Bonds of each series shall be issuable in denominations of One Thousand Dollars ($1,000) and any integral multiple thereof.

SECTION 3.03. Execution, Dating, Certificate of Authentication.

Unless otherwise provided as contemplated by Section 3.01 with respect to any series of Bonds, or any Tranche thereof, the Bonds shall be executed on behalf of the Company by any two of the following: the President, the Chief Executive Officer, any Vice President, the Chief Financial Officer, the Treasurer or any Assistant Treasurer. The corporate seal of the Company may be affixed thereto or reproduced thereon and attested by any Authorized Officer. The signature of any or all of these officers on the Bonds may be manual or facsimile.

Bonds bearing the manual or facsimile signatures of individuals who were at the time of execution the President, the Chief Executive Officer, a Vice President, the Chief Financial Officer, the Treasurer or an Assistant Treasurer of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Bonds or did not hold such offices at the date of such Bonds.

Unless otherwise specified as contemplated by Section 3.01 with respect to any series of Bonds, or any Tranche thereof, each Bond shall be dated the date of its authentication.

Unless otherwise specified as contemplated by Section 3.01 with respect to any series of Bonds, or any Tranche thereof, no Bond shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Bond a certificate of authentication substantially in the form provided for herein executed by the Trustee or an Authenticating Agent by manual signature of an authorized officer thereof, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Bond shall have been authenticated and delivered hereunder to the Company, or any Person acting on its behalf, but shall never have been issued and sold (or pledged) by the Company, and (a) the Company shall deliver such Bond to the Bond Registrar for cancellation or shall cancel such Bond and deliver evidence of such cancellation to the Trustee, in each case as provided in Section 3.09, and (b) the Company, at its election, shall deliver to the Trustee a written statement (which need not comply with Section 1.04 and need not be accompanied by an Officer's Certificate or an Opinion of Counsel) stating that such Bond has never been issued and sold (or pledged) by the Company, then, for all purposes of this Indenture, such Bond shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits hereof.

SECTION 3.04. Temporary Bonds.

Pending the preparation of definitive Bonds of any series, or any Tranche thereof, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Bonds which are printed, lithographed, typewritten, mimeographed, photocopied or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Bonds may determine, as evidenced by their execution of such Bonds.

Except as otherwise specified as contemplated by Section 3.01 with respect to the Bonds of any series, or any Tranche thereof, after the preparation of definitive Bonds of such series or Tranche, the temporary Bonds of such series or Tranche shall be exchangeable, without charge to the Holder thereof, for definitive Bonds of such series or Tranche upon surrender of such temporary Bonds at the office or agency of the Company maintained pursuant to Section 7.02 in a Place of Payment for such Bonds. Upon such surrender of temporary Bonds, the Company shall, except as otherwise specified as contemplated by Section 3.01, execute and the Trustee shall authenticate and deliver in exchange therefor definitive Bonds of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Until exchanged in full as hereinabove provided, temporary Bonds shall in all respects be entitled to the same benefits under this Indenture as definitive Bonds of the same series and Tranche and of like tenor authenticated and delivered hereunder.

SECTION 3.05. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept in one of the offices designated pursuant to Section 7.02, with respect to the Bonds of each series, or any Tranche thereof, a register (the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Bonds of such series or Tranche and the registration of transfer thereof. Pursuant to Section 3.01(f), the Company shall designate one Person to maintain the Bond Register for the Bonds of each series, and such Person is referred to herein, with respect to such series, as the "Bond Registrar." Anything herein to the contrary notwithstanding, the Company may designate one or more of its offices as an office in which a Bond Register with respect to the Bonds of one or more series, or any Tranche or Tranches thereof, shall be maintained, and the Company may designate itself the Bond Registrar with respect to one or more of such series. The Bond Register(s) shall be open for inspection by the Trustee and the Company at all reasonable times.

Except as otherwise specified as contemplated by Section 3.01 with respect to the Bonds of any series, or any Tranche thereof, and except as provided below with respect to Global Bonds, upon surrender for registration of transfer of any Bond of such series or Tranche at the office or agency of the Company maintained pursuant to Section 7.02 in a Place of Payment for such series or Tranche, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Except as otherwise specified as contemplated by Section 3.01 with respect to the Bonds of any series, or any Tranche thereof, any Bond of such series or Tranche may be exchanged at the option of the Holder, for one or more new Bonds of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Bonds to be exchanged at any such office or agency. Whenever any Bonds are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Bonds which the Holder making the exchange is entitled to receive.

All Bonds delivered upon any registration of transfer or exchange of Bonds shall be valid obligations of the Company, evidencing the same obligation, and entitled to the same benefits under this Indenture, as the Bonds surrendered upon such registration of transfer or exchange. Every Bond presented or surrendered for registration of transfer shall be duly endorsed or shall be accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder thereof or his attorney duly authorized in writing. Every Bond presented or surrendered for exchange shall (if so required by the Company, the Trustee or the Bond Registrar) be duly endorsed or shall be accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing.

Unless otherwise specified as contemplated by Section 3.01 with respect to Bonds of any series, or any Tranche thereof, no service charge shall be made for any registration of transfer or exchange of Bonds, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Bonds, other than exchanges pursuant to Section 3.04, 6.06 or 14.06 not involving any transfer.

The Company shall not be required to execute or to provide for the registration of transfer of or the exchange of (a) Bonds of any series, or any Tranche thereof, during a period of fifteen (15) days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of such series or Tranche called for redemption or (b) any Bond so selected for redemption in whole or in part, except the unredeemed portion of any Bond being redeemed in part.

Notwithstanding any other provision of this Section, unless and until it is exchanged in whole or in part for Bonds in definitive form, a Global Bond representing all or a portion of the Bonds of a series, or Tranche thereof, may not be transferred except as a whole by the Depositary for such series or Tranche to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such series, or Tranche thereof, or a nominee of such successor Depositary.

If at any time (i) the Depositary for the Bonds of a series, or a Tranche thereof, notifies the Company that it is unwilling or unable to continue as Depositary for the Bonds of such series or Tranche or that it is no longer eligible under Section 3.13, and in any such case the Company has not appointed a successor Depositary within 90 days after delivery of such notice, (ii) there has occurred and is continuing an Event of Default, or (iii) the Company in its sole discretion determines that the Bonds of any series, or any Tranche thereof, issued in the form of one or more Global Bonds shall no longer be represented by such Global Bond or Bonds, then in each such event the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Bonds of such series or Tranche, will authenticate and deliver, Bonds of such series in definitive form and in an aggregate principal amount equal to the principal amount of the Global Bond or Bonds representing such series or Tranche in exchange for such Global Bond or Bonds.

In addition, if specified by the Company pursuant to Section 3.01 with respect to a series of Bonds, or Tranche thereof, the Depositary for such series of Bonds may surrender a Global Bond for such series or Tranche of Bonds in exchange in whole or in part for Bonds of such series or Tranche in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon, the Company shall authenticate and deliver, without charge:

(i) to each Person specified by such Depositary a new Bond or Bonds of the same series or Tranche, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Bonds; and

(ii) to such Depositary a new Global Bond in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Bond and the aggregate principal amount of Bonds delivered to Holders thereof.

Bonds issued in exchange for a Global Bond pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary for such Global Bond, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Bonds to the Persons in whose names such Bonds are so registered.

SECTION 3.06. Mutilated, Destroyed, Lost and Stolen Bonds.

If any mutilated Bond is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Bond of the same series and Tranche, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (a) evidence to their satisfaction of the ownership of and the destruction, loss or theft of any Bond and (b) such security or indemnity as may be reasonably required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Bond is held by a protected purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Bond, a new Bond of the same series and Tranche, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

Notwithstanding the foregoing, in case any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Company in its discretion may, but subject to compliance with the foregoing conditions, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Bond of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Bond shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Bond shall be at any time enforceable by anyone other than the Holder of such new Bond, and any such new Bond shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds of such series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds.

SECTION 3.07. Payment of Interest; Interest Rights Preserved.

Unless otherwise specified as contemplated by Section 3.01 with respect to the Bonds of any series, or any Tranche thereof, interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, except that, unless otherwise provided in the Bonds of such series, interest payable on the Stated Maturity of the principal of a Bond shall be paid to the Person to whom principal is paid. The initial payment of interest on any Bond of any series which is issued between a Regular Record Date and the related Interest Payment Date shall be payable as provided in such Bond or in a Board Resolution, Officer's Certificate or supplemental indenture pursuant to Section 3.01 with respect to the related series of Bonds. Except in the case of a Global Bond at the option of the Company, interest on any series of Bonds may be paid by (i) check mailed to the address of the Person entitled thereto as it shall appear on the Bond Register of such series or (ii) wire transfer in immediately available funds at such place and to such account as designated in writing by the Person entitled thereto as specified in the Bond Register of such series.

Any interest on any Bond of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the related Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Bonds of such series (or their respective Predecessor Bonds) are registered at the close of business on a date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than thirty (30) days and not less than ten (10) days

prior to the date of the proposed payment and not less than twenty-five (25) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall, not less than fifteen (15) days prior to such Special Record Date, cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given to each Holder of Bonds of such series. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Bonds of such series (or their respective Predecessor Bonds) are registered at the close of business on such Special Record Date.

(b) The Company may make payment of any Defaulted Interest on the Bonds of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 3.05, each Bond delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

SECTION 3.08. Persons Deemed Owners.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of principal of and premium, if any, and (subject to Sections 3.05 and 3.07) interest, if any, on such Bond and for all other purposes whatsoever, whether or not such Bond be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 3.09. Cancellation by Bond Registrar.

All Bonds surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Bond Registrar, be delivered to the Bond Registrar and, if not theretofore canceled, shall be promptly canceled by the Bond Registrar. The Company may at any time deliver to the Bond Registrar for cancellation any Bonds previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever or which the Company shall not have issued and sold (or pledged), and all Bonds so delivered shall be promptly canceled by the Bond Registrar. No Bonds shall be authenticated in lieu of or in exchange for any Bonds canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Bonds held by the Bond Registrar shall be disposed of in accordance with the Bond Registrar's then customary practice for disposing of securities, unless otherwise directed by a Company Order.

SECTION 3.10. Computation of Interest.

Except as otherwise specified as contemplated by Section 3.01 for Bonds of any series, or any Tranche thereof, interest on the Bonds of each series shall be computed on the basis of a

three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months and, with respect to any period less than a full calendar month, on the basis of the actual number of days elapsed during such period.

SECTION 3.11. Payment to Be in Proper Currency.

In the case of the Bonds of any series, or any Tranche thereof, denominated in any currency other than Dollars or in a composite currency (the "Required Currency"), except as otherwise specified with respect to such Bonds as contemplated by Section 3.01, the obligation of the Company to make any payment of the principal thereof, or the premium, if any, or interest, if any, thereon, shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is in a currency other than the Required Currency, the Trustee may take such actions as it considers appropriate to exchange such currency for the Required Currency. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall remain fully liable for any shortfall or delinquency in the full amount of Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor except in the case of its negligence or willful misconduct.

SECTION 3.12. CUSIP Numbers.

The Company, in issuing the Bonds, may use "CUSIP" or other similar numbers (if then generally in use), and, if so, the Trustee or Bond Registrar may use CUSIP or such other numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Bonds, in which case none of the Company or, as the case may be, the Trustee or the Bond Registrar, or any agent of any of them, shall have any liability in respect of any CUSIP number used on any such notice, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

SECTION 3.13. Global Bonds.

If the Company shall establish pursuant to Section 3.01(q) that the Bonds of a series, or a Tranche thereof, are to be issued in whole or in part in the form of one or more Global Bonds, then the Company shall execute and the Trustee shall, in accordance with this Section and the Company Order with respect to such series or Tranche, authenticate and deliver one or more Global Bonds in temporary or permanent form that (i) shall represent and shall be denominated in an aggregate amount equal to the aggregate principal amount of the Outstanding Bonds of such series or Tranche, to be represented by one or more Global Bonds, (ii) shall be registered in the name of the Depositary for such Global Bond or Bonds or the nominee of such Depositary, (iii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instruction or held by the Trustee as custodian for the Depositary, and (iv) shall bear a legend substantially to the following effect: "Unless and until it is exchanged in whole or in part for

Bonds in definitive form, this Bond may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary."

The Company may at any time designate another Person to act as Depositary in place of the Person designated pursuant to Section 3.01(q). Each Depositary designated pursuant to Section 3.01(q) or otherwise for a Global Bond must, at the time of its designation and at all times while it serves as Depositary, be a clearing agency registered under the Exchange Act and any other applicable statute or regulation.

ARTICLE IV

BONDS OF THE INITIAL SERIES

There are hereby established five series of Bonds (herein sometimes referred to as "Bonds of the First Series," "Bonds of the Second Series," "Bonds of the Third Series," "Bonds of the Fourth Series" and "Bonds of the Fifth Series" and collectively as "Bonds of the Initial Series"). The form, designation and terms of the Bonds of the Initial Series and the establishment of any additional series comprising Bonds of the Initial Series or the elimination of any series comprising Bonds of the Initial Series established by this Article but not issued shall be established in a supplemental indenture or a Board Resolution, and/or in an Officer's Certificate pursuant to a supplemental indenture or a Board Resolution in accordance with Section 3.01.

ARTICLE V

ISSUANCE OF BONDS

SECTION 5.01. General.

Prior to the Release Date and subject to the provisions of Section 5.02, 5.03 or 5.04, whichever may be applicable, the Trustee shall authenticate and deliver Bonds of a series, for original issue, at one time or from time to time in accordance with the Company Order referred to below, upon receipt by the Trustee of:

(a) the instrument or instruments establishing the form or forms and terms of such series, as provided in Sections 2.01 and 3.01;

(b) a Company Order requesting the authentication and delivery of such Bonds and, to the extent that the terms of such Bonds shall not have been established in an indenture supplemental hereto or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or Board Resolution, all as contemplated by Section 3.01, either (i) establishing such terms or (ii) in the case of Bonds of a series subject to a Periodic Offering, specifying procedures by which such terms are to be established (which procedures may provide for authentication and delivery pursuant to oral or electronic instructions from the Company or any agent or agents thereof, which oral instructions are to be promptly confirmed electronically

or in writing), in either case in accordance with the instrument or instruments delivered pursuant to clause (a) above;

(c) the Bonds of such series, executed on behalf of the Company by an officer specified in Section 3.03;

(d) an Opinion of Counsel to the effect that:

(i) the form or forms of such Bonds have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture;

(ii) the terms of such Bonds have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture; and

(iii) when such Bonds shall have been authenticated and delivered by the Trustee and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, such Bonds will constitute valid obligations of the Company, entitled to the benefit of the lien of this Indenture, equally and ratably with all other Outstanding Bonds without any priority of any one Bond over any other Bond;

provided, however, that, with respect to Bonds of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication and delivery of such Bonds (provided that such Opinion of Counsel addresses the authentication and delivery of all such Bonds) and that, in lieu of the opinions described in clauses (ii) and (iii) above, counsel may opine that:

(x) when the terms of such Bonds shall have been established pursuant to a Company Order or Orders or pursuant to such procedures as may be specified from time to time by a Company Order or Orders, all as contemplated by and in accordance with the instrument or instruments delivered pursuant to clause (a) above, such terms will have been duly authorized by the Company and will have been established in conformity with the provisions of this Indenture; and

(y) when such Bonds shall have been authenticated and delivered by the Trustee in accordance with this Indenture and the Company Order or Orders or the specified procedures referred to in paragraph (x) above and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, such Bonds will constitute valid obligations of the Company, entitled to the benefit of the lien of the Indenture, equally and ratably with all other Outstanding Bonds without any priority of any one Bond over any other Bond;

(e) an Officer's Certificate to the effect that, to the knowledge of the signer, no Event of Default has occurred and is continuing; provided, however, that with respect to Bonds of a series subject to a Periodic Offering, either (i) such an Officer's Certificate shall be delivered at the time of the authentication and delivery of each Bond of such series or (ii) the Officer's Certificate delivered at or prior to the time of the first authentication and delivery of the Bonds of such series shall state that the statements therein shall be deemed to be made at the time of each, or each subsequent, authentication and delivery of Bonds of such series;

(f) such other Opinions of Counsel, certificates and other documents as may be required under Section 5.02, 5.03 or 5.04, whichever may be applicable to the authentication and delivery of the Bonds of such series; and

(g) except with respect to the issuance of the Bonds of the Initial Series, a Net Earnings Certificate showing the Net Income of the Company for the period therein specified to have been not less than an amount equal to two (2) times the Annual Interest Requirements therein specified; provided, however, that the Trustee shall not be entitled to receive a Net Earnings Certificate hereunder if the Bonds of such series are to have no Stated Interest Rate prior to Maturity; and provided, further, that, with respect to Bonds of a series subject to a Periodic Offering, other than Bonds theretofore authenticated and delivered, (i) it shall be assumed in the Net Earnings Certificate delivered in connection with the authentication and delivery of Bonds of such series that none of the Bonds of such series not yet authenticated and delivered shall have a Stated Interest Rate in excess of a maximum rate to be stated therein, and thereafter no Bonds of such series which would have a Stated Interest Rate at the time of the initial authentication and delivery thereof in excess of such maximum rate shall be authenticated and delivered under the authority of such Net Earnings Certificate but instead shall only be authenticated and delivered under the authority of a new Net Earnings Certificate which complies with the requirements of this clause (g), including the proviso relating to Bonds of a series subject to a Periodic Offering, and (ii) so long as the Stated Interest Rate that Bonds of a series subject to a Periodic Offering bear at the time of the initial authentication and delivery thereof does not exceed the maximum rate assumed in the most recent Net Earnings Certificate delivered with respect to the Bonds of such series, the Trustee shall not be entitled to receive a new Net Earnings Certificate at the time of any subsequent authentication and delivery of the Bonds of such series (unless such Bonds are authenticated and delivered on or after the date which is two (2) years after the most recent Net Earnings Certificate with respect to such series was delivered pursuant to this clause (g), in which case this subclause (ii) shall not apply).

For purposes of clause (g), "Net Earnings Certificate" means a certificate signed by an Authorized Officer and an Accountant stating:

(1) the "Net Income" of the Company for a period of twelve (12) consecutive calendar months within the eighteen (18) calendar months immediately preceding the first day of the month in which the Company Order requesting the authentication and delivery under this Indenture of Bonds is delivered to the Trustee specifying:

(A) its operating revenues (which may include revenues of the Company subject to possible refund at a future date);

(B) its expenses, excluding (i) expenses for taxes paid or accrued on income or profits and other taxes measured by, or dependent on, net income, (ii) provisions for reserves for renewals, replacements, depreciation, amortization, depletion or retirement of property (or any expenditures therefor), (iii) expenses or provisions for interest on any indebtedness of the Company (including interest on Capital Lease Obligations), for the amortization of debt discount, premium, expense or loss on reacquired debt, for the amortization of payments made on Swap Agreements, for any maintenance and replacement, improvement or sinking fund or other device for the retirement of any indebtedness, or for other amortization, (iv) expenses,

losses or provisions for any non-recurring or extraordinary charge to income or to retained earnings of whatever kind or nature (including, without limitation, the recognition of expense or impairment due to the non-recoverability of assets or expense, charges for changes in accounting principles recorded in accordance with generally accepted accounting principles and non-cash writedowns, book losses or other charges) ("Non-Recurring Charges"), whether or not recorded as a non-recurring or extraordinary charge in the Company's books of account, and (v) provisions for any refund of revenues previously collected or accrued by the Company subject to possible refund;

(C) the amount remaining after deducting the amount required to be stated in such certificate by clause (B) above from the amount required to be stated therein by clause (A) above;

(D) its other income, net of related expenses (excluding Non-Recurring Charges, whether or not recorded as non-recurring or extraordinary charges on the Company's books of account), including, but not limited to, non-utility operating income, cash distributions received from subsidiaries of the Company, any allowance for funds used during construction, and including any portion of such allowance, or of any such analogous amounts, not included in "other items" (or any analogous item) in the Company's books of account, and other deferred costs (or any analogous amounts) in the Company's books of account; and any amounts collected by others to be applied to debt service on indebtedness of the Company, and not otherwise treated on the Company's books as revenue; and

(E) the Net Income of the Company for such period of twelve (12) consecutive calendar months (being the sum of the amounts required to be stated in such certificate by clauses (C) and (D) above); and

(2) the "Annual Interest Requirements," being the interest requirements for one year, at the respective Stated Interest Rates, if any, borne prior to Maturity, upon:

(A) all Bonds Outstanding hereunder at the date of such certificate (excluding any Bonds that will be paid or redeemed through Bonds described in (B) below); provided, however, that, if Outstanding Bonds of any series or Tranche bear interest at a variable rate or rates, then the interest requirement on the Bonds of such series or Tranche shall be determined by reference to the rate or rates in effect on two (2) Business Days immediately preceding the date of such certificate;

(B) all Bonds then applied for in pending applications for the original issuance of Bonds, including the application in connection with which such certificate is made; provided, however, that if Bonds of any series or Tranche are to bear interest at a variable rate or rates, then the interest requirement on the Bonds of such series or Tranche shall be determined by reference to the rate or rates to be in effect at the time of the initial authentication and delivery of such Bonds or, if such rate or rates are not determinable at such time, then by reference to the Company's good faith estimate of the rate or rates to be in effect at the time of the initial authentication and delivery of such Bonds; and provided, further, that the determination of the interest requirement on Bonds of a series subject to a Periodic Offering shall be further subject to the other provisions of clause (g) above; and

(C) the principal amount of all other indebtedness secured by a Senior Lien upon the Mortgaged Property or any part thereof (except (i) indebtedness of the Company the repayment of which supports or is supported by other indebtedness included in Annual Interest Requirements pursuant to one of the other clauses of this definition and (ii) indebtedness outstanding on the date of such certificate secured by a Prepaid Lien upon Mortgaged Property outstanding on the date of such certificate and secured by a lien on a parity with or prior to the lien of this Indenture upon Mortgaged Property), if such indebtedness has been issued, assumed or guaranteed by the Company or if the Company customarily pays the interest upon the principal thereof; provided, however, that if any such indebtedness bears interest at a variable rate or rates, then the interest requirement on such indebtedness shall be determined by reference to the rate or rates in effect two (2) Business Days immediately preceding the date of such certificate.

If any of the property of the Company owned by it at the time of the making of any Net Earnings Certificate (a) shall have been acquired during or after any period for which Net Income of the Company are to be computed, (b) shall not have been acquired in exchange or substitution for property the net earnings of which have been included in the Net Income of the Company and (c) had been operated as a separate unit and items of revenue and expense attributable thereto are readily ascertainable by the Company, then the net earnings of such property (computed in the manner that clause (g) above provides for the computation of the Net Income of the Company) during such period or such part of such period as shall have preceded the acquisition thereof, to the extent that the same have not otherwise been included in the Net Income of the Company, shall be so included.

In any case where a Net Earnings Certificate is required as a condition precedent to the authentication and delivery of Bonds, such certificate shall be accompanied by a certificate signed by an Independent Accountant if the aggregate principal amount of Bonds then applied for plus the aggregate principal amount of Bonds authenticated and delivered hereunder since the commencement of the then current calendar year (other than those with respect to which a Net Earnings Certificate is not required, or with respect to which a Net Earnings Certificate accompanied by a certificate signed by an Independent Accountant has previously been furnished to the Trustee) is ten percent (10%) or more of the sum of (a) the principal amount of the Bonds at the time Outstanding, which certificate shall provide that such Independent Accountant has reviewed the Net Earnings Certificate and that such Independent Accountant has no knowledge that any statements in such Net Earnings Certificate are not true; but no such certificate need be signed by an Independent Accountant, as to dates or periods not covered by annual reports required to be filed by the Company, with respect to conditions precedent which depend upon a state of facts as of a date or dates or for a period or periods different from that required to be covered by such annual reports.

With respect to Bonds of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Bonds, the forms and terms thereof, the validity thereof and the compliance of the authentication and delivery thereof with the terms and conditions of this Indenture, upon the Opinion or Opinions of Counsel and the certificates and other documents delivered pursuant to this Article V at or prior to the time of the first authentication and delivery of Bonds of such series until (i) such time as the Trustee has received written notice that any of such opinions, certificates or other documents have been

superseded or revoked or (ii) such opinions, certificates or other documents expire by their terms. In connection with the authentication and delivery of Bonds of a series subject to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Bonds do not violate any applicable law or any applicable rule, regulation or order of any Governmental Authority having jurisdiction over the Company.

SECTION 5.02. Issuance of Bonds on the Basis of Property Additions.

Prior to the Release Date,

(a) Bonds of any one or more series may be authenticated and delivered on the basis of Property Additions which, prior to the issuance of such Bonds, constitute Unfunded Property, in a principal amount not exceeding sixty-six and two-thirds percent ($66^2/_3\%$) of the Adjusted Property Additions Basis of such Property Additions.

(b) Bonds of any series shall be authenticated and delivered by the Trustee on the basis of Property Additions which, prior to the issuance of such Bonds, constitute Unfunded Property, upon receipt by the Trustee of:

(i) the documents with respect to the Bonds of such series specified in Section 5.01;

(ii) an Expert's Certificate dated as of a date not more than ninety (90) days prior to the date of the Company Order requesting the authentication and delivery of such Bonds, substantially in the form attached hereto as Schedule 1,

(A) describing all property constituting Property Additions and designated by the Company, in its discretion, to be made the basis of the authentication and delivery of such Bonds (such description of property to be made by reference, at the election of the Company, either to specified items, units and/or elements of property or portions thereof, on a percentage or Dollar basis, or to properties reflected in specified accounts or subaccounts in the Company's books of account or portions thereof, on a Dollar basis), and stating that all such property constitutes Property Additions and is not subject to any Lien thereon prior to the lien of this Indenture except Permitted Liens;

(B) stating (I) the Cost of such Property Additions, (II) to the extent such Property Additions are subject to a Senior Lien securing Senior Lien Obligations, the outstanding principal amount of such Senior Lien Obligations as of the date of such certificate, and (III) the Net Cost of such Property Additions;

(C) stating that such Property Additions are desirable for use in the conduct of the business, or one of the businesses, of the Company;

(D) stating that such Property Additions, to the extent of the Property Additions Basis thereof that is to be made the basis of the authentication and delivery of such Bonds, constitute, prior to the issuance of such Bonds, Unfunded Property;

(E) stating, except as to such Property Additions acquired, made or constructed wholly through the delivery of securities or property other than cash, the amount of cash forming all or part of the Cost thereof;

(F) briefly describing, with respect to any Property Additions acquired, made or constructed in whole or in part through the delivery of securities or property other than cash, the securities or other property so delivered, stating the date of such delivery and stating, in the judgment of the signers, the fair market value in cash of such securities or other property at the time of delivery thereof in payment for the acquisition or construction of such Property Additions;

(G) stating what part, if any, of such Property Additions includes property which constitutes an Acquired Facility and stating whether or not, in the judgment of the signers, the Fair Value to the Company of any such Acquired Facility, as of the date of such certificate, is a De Minimis Amount;

(H) stating (I) in the judgment of the signers, the Fair Value to the Company, as of the date of such certificate, of such Property Additions, except any thereof with respect to the Fair Value to the Company of which a statement is to be made in an Independent Expert's Certificate pursuant to clause (iii) below, and (II) the Net Fair Value of such Property Additions;

(I) if any property included in such Property Additions is subject to a Lien of the character described (x) in clause (f) of the definition of Permitted Liens, stating that such Lien does not, in the judgment of the signers, materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company, or (y) in clause (j)(ii) of the definition of Permitted Liens, stating that such Lien does not, in the judgment of the signers, materially impair the use by the Company of such Mortgaged Property for the purposes for which it is held by the Company or (z) in clause (q)(ii) of the definition of Permitted Liens, stating that the enforcement of such Lien would not, in the judgment of the signers, adversely affect the interests of the Company in such Mortgaged Property in any material respect;

(J) stating the amount required to be deducted under Section 1.03(b)(i) and the amounts elected to be added under Section 1.03(b)(ii) in respect of Funded Property Retired of the Company;

(K) stating the Adjusted Property Additions Basis of such Property Additions;

(L) stating the amount equal to sixty-six and two-thirds percent ($66^2/_3\%$) of the Adjusted Property Additions Basis stated pursuant to clause (K) above; and

(M) stating the aggregate principal amount of the Bonds to be authenticated and delivered on the basis of such Property Additions (such amount not to exceed the amount stated pursuant to clause (L) above);

(iii) if any Property Additions are shown by the Expert's Certificate provided for in clause (ii) above to include property which constitutes an Acquired Facility or Pledged

Securities and such certificate does not show the Fair Value thereof to the Company as of the date of such certificate to be a De Minimis Amount, an Independent Expert's Certificate stating, in the judgment of the signer, the Fair Value to the Company, as of the date of such Independent Expert's Certificate, of (X) such Property Additions which constitute an Acquired Facility and (at the option of the Company) as to any other Property Additions included in the Expert's Certificate provided for in clause (ii) above, (Y) such Pledged Securities, and (Z) in case such Independent Expert's Certificate is being delivered in connection with the authentication and delivery of Bonds, any other Acquired Facility or Pledged Securities which have been subjected to the lien of this Indenture since the commencement of the then current calendar year as the basis for the authentication and delivery of Bonds and as to which an Independent Expert's Certificate has not previously been furnished to the Trustee;

(iv) an Opinion of Counsel to the effect that:

(A) this Indenture creates, or upon the taking of actions specified in said opinion, will create a lien on all the Property Additions to be made the basis of the authentication and delivery of such Bonds, subject, to the knowledge of such counsel, to no Lien thereon prior to the lien of this Indenture, except Permitted Liens; and

(B) the Company has corporate authority to operate such Property Additions; and

(v) copies of the instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in clause (iv) above.

SECTION 5.03. Issuance of Bonds on the Basis of Retired Bonds.

Prior to the Release Date:

(a) Bonds of any one or more series may be authenticated and delivered on the basis of, and in an aggregate principal amount not exceeding the aggregate principal amount of, Retired Bonds.

(b) Bonds of any series shall be authenticated and delivered by the Trustee on the basis of Retired Bonds upon receipt by the Trustee of:

(i) the documents with respect to the Bonds of such series specified in Section 5.01; and

(ii) an Officer's Certificate stating that (1) Bonds, specified by series, in an aggregate principal amount not less than the aggregate principal amount of Bonds to be authenticated and delivered on the basis of Retired Bonds pursuant to this Section 5.03, have theretofore been authenticated and delivered, (2) such Bonds are the basis for the authentication and delivery of Bonds pursuant to this Section 5.03, and (3) such Bonds constitute Retired Bonds as of the date of such Officer's Certificate or concurrently with the authentication and delivery of the Bonds will constitute Retired Bonds.

SECTION 5.04. Issuance of Bonds on the Basis of Deposit of Cash.

Prior to the Release Date:

(a) Bonds of any one or more series may be authenticated and delivered on the basis of, and in an aggregate principal not exceeding the amount of, any deposit with the Trustee of cash for such purpose.

(b) Bonds of any series shall be authenticated and delivered by the Trustee on the basis of the deposit of cash when the Trustee shall have received, in addition to such deposit, the documents with respect to the Bonds of such series specified in Section 5.01.

(c) All cash deposited with the Trustee under the provisions of this Section (herein referred to as "Deposited Cash") shall be held by the Trustee, shall constitute Mortgaged Property and may be withdrawn from time to time by the Company free and clear of any Lien, upon delivery of a Company Order to the Trustee, in an amount equal to the aggregate principal amount of Bonds to the authentication and delivery of which the Company shall be entitled under Section 5.02 or 5.03 hereof.

In case such withdrawal of Deposited Cash is, in whole or in part, based upon Property Additions which constitute Unfunded Property, the Company shall comply with Section 5.02 as if such Property Additions were being made the basis for the authentication and delivery of Bonds thereon equivalent in principal amount to the amount of the Deposited Cash to be withdrawn on such basis; or in case the withdrawal of Deposited Cash is, in whole or in part, based upon the right to the authentication and delivery of Bonds based on the delivery to the Trustee of Retired Bonds, the Company shall comply with Section 5.03 relating to such authentication and delivery, recognizing that, in each such case, the action being taken is the withdrawal of Deposited Cash rather than the authentication and delivery of Bonds; provided, however, that the Company shall not in any event be required to deliver the documents specified in Section 5.01 or the Accountant's Certificate specified in Section 5.02(b)(vi).

Any withdrawal of Deposited Cash under this subsection (c) shall operate as a waiver by the Company of its right to the authentication and delivery of the Bonds on which such withdrawal is based and such Bonds may not thereafter be authenticated and delivered hereunder. Any Property Additions which have been made the basis of any such right to the authentication and delivery of Bonds so waived shall be deemed to have been made the basis of the withdrawal of such Deposited Cash and shall constitute Funded Property hereunder; and any Retired Bonds which have been made the basis of any such right to the authentication and delivery of Bonds so waived shall be deemed to have been made the basis of the withdrawal of such Deposited Cash.

(d) If at any time the Company shall so direct, any Deposited Cash may be used or applied to the purchase, payment or redemption of Bonds in the manner and subject to the conditions provided in clauses (d) and (e) of Section 8.07.

ARTICLE VI

REDEMPTION OF BONDS

SECTION 6.01. Applicability of Article.

Bonds of any series, or any Tranche thereof, which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 3.01 for Bonds of such series or Tranche) in accordance with this Article.

SECTION 6.02. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Bonds shall be evidenced by a Board Resolution or an Officer's Certificate. The Company shall, at least forty-five (45) days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of such Bonds to be redeemed. In the case of any redemption of Bonds (a) prior to the expiration of any restriction on such redemption provided in the terms of such Bonds or elsewhere in this Indenture or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of such Bonds, the Company shall furnish the Trustee with an Officer's Certificate evidencing compliance with such restriction or condition.

SECTION 6.03. Selection of Bonds to Be Redeemed.

If less than all the Bonds of any series, or any Tranche thereof, are to be redeemed, the particular Bonds to be redeemed shall be selected by the Bond Registrar from the Outstanding Bonds of such series or Tranche not previously called for redemption, by such method as shall be provided for any particular series or Tranche, or, in the absence of any such provision, by such method of random selection as the Bond Registrar shall deem fair and appropriate and which may, in any case, provide for the selection for redemption of portions (equal to the minimum authorized denomination for Bonds of such series or Tranche or any integral multiple thereof) of the principal amount of Bonds of such series or Tranche having a denomination larger than the minimum authorized denomination for Bonds of such series or Tranche; provided, however, that if, as indicated in an Officer's Certificate, the Company shall have offered to purchase all or any principal amount of the Bonds then Outstanding of any series, or any Tranche thereof, and less than all of such Bonds as to which such offer was made shall have been tendered to the Company for such purchase, the Bond Registrar, if so directed by Company Order, shall select for redemption all or any principal amount of such Bonds which have not been so tendered.

The Bond Registrar shall promptly notify the Company and the Trustee in writing of the Bonds selected for redemption and, in the case of any Bonds selected to be redeemed in part, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bonds redeemed or to be redeemed only in part, to the portion of the principal amount of such Bonds which has been or is to be redeemed.

SECTION 6.04. Notice of Redemption.

Unless otherwise specified with respect to any series of Bonds, or any Tranche thereof, in accordance with Section 3.01, notice of redemption shall be given in the manner provided in Section 1.08 to the Holders of the Bonds to be redeemed not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date.

All notices of redemption shall state:

(a) the Redemption Date,

(b) the Redemption Price,

(c) if less than all the Bonds of any series or Tranche are to be redeemed, the identification of the particular Bonds to be redeemed and the portion of the principal amount of any Bond to be redeemed in part,

(d) that on the Redemption Date, the Redemption Price, together with accrued interest, if any, to the Redemption Date, will become due and payable upon each such Bond to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date; provided, that if a conditional notice shall be given, other appropriate language shall be inserted indicating the conditional nature of the redemption,

(e) the place or places where such Bonds are to be surrendered for payment of the Redemption Price and accrued interest, if any, unless it shall have been specified as contemplated by Section 3.01 with respect to such Bonds that such surrender shall not be required,

(f) that the redemption is for a sinking or other fund, if such is the case, and

(g) such other matters as the Company shall deem desirable or appropriate.

Unless otherwise specified with respect to any series of Bonds, or any Tranche thereof, in accordance with Section 3.01, with respect to any redemption of Bonds at the election of the Company or any redemption which is contingent on the occurrence or nonoccurrence of an event or condition which cannot be ascertained prior to the time a redemption notice is required to be given hereunder, such notice may state that such redemption shall be conditional upon receipt by the Trustee or the Paying Agent or Agents for such Bonds, on or prior to the date fixed for such redemption, of money sufficient to pay the Redemption Price of such Bonds and accrued interest, if any, thereon to the Redemption Date (or direction from the Company to apply such money for the payment of such Bonds, if such money shall have been deposited with the Trustee or Paying Agent or Agents upon the condition that the Trustee or Paying Agent or Agents will apply such money only at the direction of the Company) and that if such money shall not have been so received (or if such money shall have been received but the Trustee or the Paying Agent or Agents have been directed by the Company not to apply such money to redeem such Bonds) such notice shall be of no force or effect and the Company shall not be required to redeem such Bonds; provided, however, that conditional notice shall not be given if upon the giving of notice, such Bonds shall be deemed to have been paid in accordance with Section 9.01. In the event that

such notice of redemption contains such a condition and such money is not so received, or the Trustee or Paying Agent or Agents have been directed by the Company not to apply such money to the redemption of such Bonds, the redemption shall not be made, and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such money was not so received or that the Trustee or Paying Agent or Agents have been directed by the Company not to redeem such Bonds and such redemption was not required to be made, and the Trustee or Paying Agent or Agents for the Bonds otherwise to have been redeemed shall promptly return to the Holders thereof any of such Bonds which had been surrendered for payment upon such redemption.

Notice of redemption of Bonds to be redeemed at the election of the Company, and any notice of non-satisfaction of a condition for redemption as aforesaid, shall be given by the Company or, at the Company's request, by the Bond Registrar in the name and at the expense of the Company. Notice of mandatory redemption of Bonds shall be given by the Bond Registrar in the name and at the expense of the Company.

SECTION 6.05. Bonds Payable on Redemption Date.

Notice of redemption having been given as aforesaid, and the conditions, if any, set forth in such notice having been satisfied, the Bonds or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless, in the case of an unconditional notice of redemption, the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Bonds or portions thereof, if interest-bearing, shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond or portion thereof shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; provided, however, that no such surrender shall be a condition to such payment if so specified as contemplated by Section 3.01 with respect to such Bond; and provided, further, that, except as otherwise specified as contemplated by Section 3.01 with respect to such Bond, any installment of interest on any Bond the Stated Maturity of which installment is on or prior to the Redemption Date shall be payable to the Holder of such Bond, or one or more Predecessor Bonds, registered as such at the close of business on the related Regular Record Date according to the terms of such Bond and subject to the provisions of Section 3.07.

SECTION 6.06. Bonds Redeemed in Part.

Upon the surrender of any Bond which is to be redeemed only in part at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same series and Tranche, of any authorized denomination requested by such Holder and of like tenor and in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

ARTICLE VII

COVENANTS

SECTION 7.01. Payment of Bonds; Lawful Possession; Maintenance of Lien.

(a) The Company shall pay the principal of and premium, if any, and interest, if any, on the Bonds of each series in accordance with the terms of such Bonds and this Indenture.

(b) At the Execution Date, the Company is lawfully possessed of the Mortgaged Property. Prior to the Release Date, the Company shall maintain and preserve its title to the Mortgaged Property and the lien of this Indenture so long as any Bonds shall remain Outstanding, subject, however, to the provisions of Article VIII and Article XIV.

SECTION 7.02. Maintenance of Office or Agency.

The Company shall maintain in each Place of Payment for the Bonds of each series, or any Tranche thereof, an office or agency where payment of such Bonds shall be made, and where the registration of transfer or exchange of such Bonds may be effected and where notices and demands to or upon the Company in respect of such Bonds and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of each such office or agency. If at any time the Company shall fail to maintain any such required office or agency in respect of Bonds of any series, or any Tranche thereof, or shall fail to furnish the Trustee with the address thereof, payment of such Bonds shall be made, registration of transfer or exchange thereof may be effected and notices and demands in respect thereof may be served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent for all such purposes in any such event.

The Company may also from time to time designate one or more other offices or agencies with respect to the Bonds of one or more series, or any Tranche thereof, for any or all of the foregoing purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Anything herein to the contrary notwithstanding, any office or agency required by this Section may be maintained at an office of the Company, in which event the Company shall perform all functions to be performed at such office or agency.

SECTION 7.03. Money for Bond Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to the Bonds of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on any of such Bonds, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided. The Company shall promptly notify the Trustee of any failure by the

Company (or any other obligor on such Bonds) to make any payment of principal of or premium, if any, or interest, if any, on such Bonds.

Whenever the Company shall have one or more Paying Agents for the Bonds of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on such Bonds, deposit with such Paying Agents sums sufficient (without duplication) to pay the principal and premium or interest so becoming due, such sums to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of any failure by it so to act.

Upon their appointment as Paying Agent, the Company shall cause each Paying Agent for the Bonds of any series, or any Tranche thereof, other than the Company or the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

(a) hold all sums held by it for the payment of the principal of and premium, if any, or interest, if any, on such Bonds in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any failure by the Company (or any other obligor upon such Bonds) to make any payment of principal of or premium, if any, or interest, if any, on such Bonds; and

(c) at any time during the continuance of any such failure, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent and furnish to the Trustee such information as it possesses regarding the names and addresses of the Persons entitled to such sums.

The Company may at any time pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent and, if so stated in a Company Order delivered to the Trustee, in accordance with the provisions of Article IX; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Unless otherwise prescribed by applicable law, any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of and premium, if any, or interest, if any, on any Bond and remaining unclaimed for two years after such principal and premium, if any, or interest, if any, has become due and payable shall be paid to the Company on Company Request, or, if then held by the Company, shall be discharged from such trust without further action by the Company, Trustee or any Paying Agent; and, upon such payment or discharge, the Holder of such Bond shall, as an unsecured general creditor and not as the Holder of an Outstanding Bond, look only to the Company for payment of the amount so due and payable and remaining unpaid, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon

cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such payment to the Company, shall, upon receipt of a Company Request and at the expense of the Company, cause to be mailed, on one occasion only, notice to such Holder that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such mailing, any unclaimed balance of such money then remaining will be paid to the Company.

SECTION 7.04. Corporate Existence.

Subject to the rights of the Company under Article XIII, the Company shall do or cause to be done all things necessary to preserve and keep its corporate existence in full force and effect.

SECTION 7.05. Maintenance of Properties.

Until the Release Date, the Company shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) the Mortgaged Property, considered as a whole, to be maintained and kept in good condition, repair and working order and shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals, replacements, betterments and improvements thereof, as, in the judgment of the Company, may be necessary in order that the operation of the Mortgaged Property, considered as a whole, may be conducted in accordance with common industry practice; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing the discontinuance of, the operation and maintenance of any portion of the Mortgaged Property; and provided, further, that nothing in this Section shall prevent the Company from selling, transferring or otherwise disposing of, or causing the sale, transfer or other disposition of, any portion of the Mortgaged Property so long as any such sale, transfer or other disposition is permitted by, and conducted in accordance with, the terms of this Indenture.

SECTION 7.06. Payment of Taxes; Liens and Discharge of Liens.

(a) Until the Release Date, the Company shall pay all taxes and assessments and other governmental charges lawfully levied or assessed upon the Mortgaged Property, or upon any part thereof, or upon the interest of the Trustee in the Mortgaged Property, before the same shall become delinquent, and shall make reasonable effort to observe and conform in all material respects to all valid requirements of any Governmental Authority relative to any of the Mortgaged Property and all covenants, terms and conditions upon or under which any of the Mortgaged Property is held.

(b) Until the Release Date, the Company shall not create nor suffer to be created any Lien upon the Mortgaged Property, or any part thereof, prior to, or *pari passu* with, the lien of this Indenture, other than Permitted Liens; provided, however, that nothing herein shall be construed as a subordination of the lien of this Indenture to any Permitted Liens encumbering any part of the Mortgaged Property except to the extent that such subordination occurs or is effected by operation of law or pursuant to the provisions of Section 8.11 or Section 11.07. Nothing in this Indenture shall be construed as prohibiting the creation or imposition of any Lien on the

Mortgaged Property, so long as such Liens are subordinate in priority to the lien of this Indenture.

(c) Notwithstanding anything to the contrary contained in this Section, the Company shall not be required (i) to observe or conform to any requirement of a Governmental Authority or to cause to be paid or discharged, or to make provision for, any such Lien, or to pay any such tax, assessment or governmental charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings, (ii) to pay, discharge or make provisions for any tax, assessment or other governmental charge, the validity of which shall not be so contested if adequate security for the payment of such tax, assessment or other governmental charge and for any penalties or interest which may reasonably be anticipated from failure to pay the same shall be given to the Trustee or (iii) to pay, discharge or make provisions for any Liens existing on the Mortgaged Property on and as of the Execution Date; provided that the same constitute Permitted Liens; and provided, further, that nothing in this Section shall prohibit the issuance or other incurrence of additional indebtedness, or the refunding of outstanding indebtedness, secured by any Lien prior to the lien hereof which is permitted under this Section to continue to exist. Notwithstanding the foregoing, the Company shall not increase the principal amount of any Senior Lien Obligations secured by a Senior Lien on any Funded Property.

SECTION 7.07. Insurance.

(a) Subject to clause (e) below, the Company shall (i) keep or cause to be kept all Mortgaged Property insured against loss by fire, to the extent that property of similar character is usually so insured by companies similarly situated and operating like properties, to a reasonable amount, by reputable insurance companies, the proceeds of such insurance (except as to any Minor Loss) to be made payable, subject to applicable law, to the Trustee as the interest of the Trustee may appear, or to any holder of a Senior Lien securing Senior Lien Obligations if the terms of the applicable Senior Lien require such payment, or (ii) in lieu of or supplementing such insurance in whole or in part, adopt some other method or plan of protection against loss by fire at least equal in protection to the method or plan of protection against loss by fire of companies similarly situated and operating properties subject to similar fire hazards or properties on which an equal primary fire insurance rate has been set by reputable insurance companies; and if the Company shall adopt such other method or plan of protection, it shall, subject to applicable law (and except as to any Minor Loss) pay to the Trustee on account of any loss covered by such method or plan an amount in cash equal to the amount of such loss less any amounts otherwise paid to the Trustee in respect of such loss or paid to any holder of a Senior Lien securing Senior Lien Obligations in respect of such loss if the terms of the applicable Senior Lien require such payment. Any cash so required to be paid by the Company pursuant to any such method or plan shall for the purposes of this Indenture be deemed to be proceeds of insurance. In case of the adoption of such other method or plan of protection, the Company shall also furnish to the Trustee a certificate of an actuary or other qualified Person appointed by the Company with respect to the adequacy of such method or plan.

Anything herein to the contrary notwithstanding, the Company may have fire insurance policies with (i) a deductible provision in a dollar amount per occurrence not exceeding the applicable Deductible Limit and/or (ii) co-insurance or self insurance provisions with a dollar

amount per occurrence not exceeding thirty percent (30%) of the loss proceeds otherwise payable.

(b) All moneys paid to the Trustee by the Company in accordance with this Section or received by the Trustee as proceeds of any insurance, in either case on account of a loss on or with respect to Funded Property, shall, subject to the requirements of any Senior Lien upon such Funded Property, be held by the Trustee, constitute Mortgaged Property, and, subject as aforesaid, shall be paid by it to the Company free and clear of any Lien to reimburse the Company for an equal amount expended or committed for expenditure in the rebuilding, renewal and/or replacement of or substitution for the property destroyed, damaged or otherwise lost (such property being referred to in this clause (b) as "lost property"), upon receipt by the Trustee of:

(i) a Company Request requesting such payment;

(ii) an Expert's Certificate:

(A) describing the lost property;

(B) stating the Funded Property Basis of such lost property or, if such damage, destruction or loss shall have affected only a portion of such Funded Property, stating the allocable portion of such Funded Property Basis (such allocation to be made on any reasonable basis as may be determined by the Company);

(C) stating the amounts so expended or committed for expenditure in the rebuilding, renewal, replacement of and/or substitution for such lost property; and

(D) stating (I) the Fair Value to the Company of such lost property as rebuilt or renewed or as to be rebuilt or renewed and/or of the replacement or substituted property (such rebuilt, renewed, replaced or substituted property being referred to in this clause (b) as the "replaced property"); provided, that, if any portion of such replaced property is an Acquired Facility and the Fair Value to the Company of such Acquired Facility as set forth in such Expert's Certificate is not a De Minimis Amount, then an Independent Expert shall opine as to the Fair Value to the Company of such Acquired Facility, (II) to the extent such replaced property is subject to a Senior Lien securing Senior Lien Obligations, the outstanding principal amount of such Senior Lien Obligations as of the date of such certificate, and (III) the Net Fair Value of such replaced property; and

(iii) an Opinion of Counsel stating that, in the opinion of the signer, the Indenture creates, or upon taking of the actions specified in such opinion, the Indenture will create, a lien on the replaced property.

Any such moneys not so applied within thirty-six (36) months after its receipt by the Trustee, or in respect of which notice in writing of intention to apply the same to the work of rebuilding, renewal, replacement or substitution then in progress and uncompleted shall not have been given to the Trustee by the Company within such thirty-six (36) months, or which the Company shall at any time notify the Trustee is not to be so applied, shall thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 8.07; provided, however, that (i) if the amount of such moneys

shall exceed sixty-six and two-thirds percent ($66^2/_3\%$) of the amount stated pursuant to clause (B) in the Expert's Certificate referred to above, or (ii) if any of such moneys remain after the Company shall have replaced the lost property with replaced property and the Net Fair Value of the replaced property is at least equal to the Funded Property Basis of the lost property, then in each case, the amount of such excess shall not be deemed to be Funded Cash, shall not be subject to Section 8.07 and shall be remitted to or upon the order of the Company free and clear of any Lien. All replaced property, to the extent that it has been built or acquired with the proceeds of Funded Cash pursuant to this clause (b), shall constitute Mortgaged Property and Funded Property.

Anything in this Indenture to the contrary notwithstanding, if Mortgaged Property on or with respect to which a loss occurs constitutes Funded Property in part only, the Company may, at its election, obtain the reimbursement of insurance proceeds attributable to the part of such property which constitutes Funded Property under this subsection (b) and obtain the reimbursement of insurance proceeds attributable to the part of such property which constitutes Unfunded Property under subsection (c) of this Section.

(c) All moneys paid to the Trustee by the Company in accordance with this Section or received by the Trustee as proceeds of any insurance, in either case on account of a loss on or with respect to Unfunded Property shall, subject to the requirements of any applicable Senior Lien securing Senior Lien Obligations, be held by the Trustee, constitute Mortgaged Property, and, subject as aforesaid, shall be paid by it to the Company free and clear of any Lien upon receipt by the Trustee of:

(i) a Company Request requesting such payment;

(ii) an Expert's Certificate made and dated not more than ninety (90) days prior to the date of such Company Request, stating:

(A) that such moneys were paid to or received by the Trustee on account of a loss on or with respect to Unfunded Property;

(B) if true, (I) that the aggregate Adjusted Property Additions Basis of all Property Additions which constitute Unfunded Property (excluding, to the extent of such loss, the property on or with respect to which such loss was incurred), is not less than zero (0), or (II) that the amount of such loss does not exceed the aggregate Adjusted Property Additions Basis of all Property Additions acquired, made or constructed on or after the ninetieth (90th) day prior to the date of the Company Request requesting such payment; and

(C) if neither of the statements contemplated in subclause (B) above can be made, the amount by which zero (0) exceeds the amount referred to in subclause (B)(I) above (showing in reasonable detail the calculation thereof) (such amount being referred to in this clause (c) as the "Make-up Amount"); and

(iii) an amount in cash, to be held by the Trustee and to constitute Mortgaged Property, equal to sixty-six and two-thirds percent ($66^2/_3\%$) of the Make-up Amount if the

Expert's Certificate required by clause (ii) above does not contain either of the statements contemplated in clause (ii)(B) above.

To the extent that the Company shall be entitled to withdraw proceeds of insurance pursuant to this subsection (c), such proceeds shall be deemed not to constitute Funded Cash.

(d) Whenever under the provisions of this Section the Company is required to deliver moneys to the Trustee and at the same time shall have satisfied the conditions set forth herein for payment of moneys by the Trustee to the Company, there shall be paid to or retained by the Trustee or paid to the Company, as the case may be, only the amount net of any taxes or other governmental charges, any administrative or other miscellaneous expenses of the insurance provider and any amounts allowed by this Indenture to be deducted from amounts payable to the Trustee.

(e) Upon the occurrence of the Release Date, this Section 7.07 (other than this clause (e)) shall, automatically and without the need for any further action by any Person, cease to be in effect and the Trustee shall promptly pay to the Company free and clear of any Lien all moneys held by the Trustee pursuant to this Section.

SECTION 7.08. Recording, Further Assurances.

(a) Until the Release Date, the Company shall cause this Indenture and all indentures and instruments supplemental hereto (or notices, memoranda or financing statements or amendments thereto as may be recorded or filed to place third parties on notice thereof) to be promptly recorded and filed and re-recorded and re-filed in such manner and in such places, as may be required by law in order to fully preserve and protect the security of the Holders of the Bonds and all rights of the Trustee, and shall furnish to the Trustee:

(i) promptly after the execution and delivery of this Indenture, as originally executed and delivered, and of each supplemental indenture, an Opinion of Counsel either stating that in the opinion of such counsel this Indenture or such supplemental indenture (or any other instrument, notice, memorandum or financing statement in connection therewith) has been properly recorded and filed so as to make effective the lien intended to be created hereby or thereby, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to make such lien effective. The Company shall be deemed to be in compliance with this subsection (i) if (x) the Opinion of Counsel herein required to be delivered to the Trustee shall state that this Indenture or such supplemental indenture (or any other instrument, notice, memorandum or financing statement in connection therewith) has been received for record or filing in each jurisdiction in which it is required to be recorded or filed and that, in the opinion of such counsel (if such is the case), such receipt for record or filing makes effective the lien intended to be created by this Indenture or such supplemental indenture, and (y) such opinion is delivered to the Trustee within such time, following the date of execution of this Indenture, as originally executed and delivered, or such supplemental indenture, as shall be practicable having due regard to the number and distance of the jurisdictions in which this Indenture or such supplemental indenture (or such other instrument, notice, memorandum or financing statement in connection therewith) is required to be recorded or filed; and

(ii) on or before June 1 of each year, beginning June 1, 2005, an Opinion of Counsel stating either (x) that in the opinion of such counsel such action has been taken, since the date of the most recent Opinion of Counsel furnished pursuant to this subsection (ii) or the first Opinion of Counsel furnished pursuant to clause (i) of this subsection (a), with respect to the recording, filing, re-recording, and re-filing of this Indenture and of each indenture supplemental to this Indenture (or any other instrument, notice, memorandum or financing statement or amendments thereto in connection therewith), as is necessary to maintain the lien hereof, and reciting the details of such action, or (y) that in the opinion of such counsel no such action is necessary to maintain such lien.

(b) Until the Release Date, the Company shall authorize, execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as may be necessary or proper to carry out the purposes of this Indenture and to make subject to the lien hereof any property hereafter acquired, made or constructed and intended to be subject to the lien hereof, and to transfer to any new trustee or trustees or co-trustee or co-trustees, the estate, powers, instruments or funds held in trust hereunder.

(c) The Company hereby authorizes, until the Release Date, the recordation and filing by the Trustee of one or more financing statements and amendments thereto or any continuation statements with respect thereto to perfect the Trustee's security interest in any portion of the Mortgaged Property.

SECTION 7.09. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in

(a) any covenant or restriction specified with respect to the Bonds of any one or more series, or any one or more Tranches thereof, as contemplated by Section 3.01 if before the time for such compliance the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds of all series and Tranches with respect to which compliance with such covenant or restriction is to be omitted, considered as one class, shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition; provided, however, that no such waiver shall be effective as to any of the matters contemplated in clause (a), (b), (c) or (d) in Section 14.02 without the consent of the Holders specified in such Section; and

(b) Section 7.04, 7.05, 7.06, 7.07 or 7.11 or Article XIII if, before the time for such compliance, the Holders of not less than a majority in principal amount of Bonds Outstanding under this Indenture shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition;

but, in either case, no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 7.10. Annual Officer's Certificate as to Compliance.

Not later than June 1 in each year, commencing June 1, 2005, the Company shall deliver to the Trustee a certificate (which need not comply with Section 1.04) executed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, as to such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture, such compliance to be determined without regard to any period of grace or requirement of notice under this Indenture.

SECTION 7.11. Limitation on Liens.

(a) From and after the Release Date, the Company will not, nor will it permit any Significant Subsidiary to, (1) issue, incur, assume or permit to exist any Debt, if such Debt is secured by a Lien on any Principal Property (whether such Principal Property is now owned or hereafter acquired), unless the Company provides that Outstanding Bonds will be equally and ratably secured with such secured Debt or (2) incur or permit to exist any Attributable Debt in respect of Principal Property; provided, however, that the foregoing restriction shall not apply to:

(i) to the extent the Company or any Significant Subsidiary consolidates with, or merges with or into, another entity, Liens on the property of such entity securing Debt in existence on the date of such consolidation or merger, provided that such Debt and Liens were not created or incurred in anticipation of such consolidation or merger and that such Liens do not extend to cover any Principal Property;

(ii) Liens existing on property hereafter acquired at the time of such acquisition, as long as the Lien was not created or incurred in anticipation thereof and does not extend to or cover any other Principal Property;

(iii) Liens of any kind, including purchase money Liens, conditional sales agreements or title retention agreements and similar agreements, upon any property acquired, constructed, developed or improved by the Company or any Significant Subsidiary (whether alone or in association with others) which do not exceed the cost or value of the property acquired, constructed, developed or improved and which are created prior to, at the time of, or within 12 months after such acquisition (or in the case of property constructed, developed or improved, within 12 months after the completion of such construction, development or improvement and commencement of full commercial operation of such property, whichever is later) to secure or provide for the payment of any part of the purchase price or cost thereof; provided that the Liens shall not extend to any Principal Property other than the property so acquired, constructed, developed or improved;

(iv) Liens in favor of the United States, any state or any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction to secure payments pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or cost of constructing or improving the property subject to such Lien, including Liens related to governmental obligations the interest on which is tax-exempt under Section 103 of the Internal Revenue Code or any successor section of the Internal Revenue Code;

(v) Liens in favor of the Company, one or more Significant Subsidiaries of the Company, one or more wholly-owned Subsidiaries of the Company or any of the foregoing combination; and

(vi) replacements, extensions or renewals (or successive replacements, extensions or renewals), in whole or in part, of any Lien, or of any agreement, referred to above in clauses (i) through (v) inclusive, or replacements, extensions or renewals of the Debt secured thereby (to the extent that the amount of Debt secured by any such Lien is not increased from the amount originally so secured, plus any premium, interest, fee or expenses payable in connection with any replacements, refundings, refinancings, remarketings, extensions or renewals); provided that such replacement, extension or renewal is limited to all or a part of the same property (plus improvements thereon or additions or accessions thereto) that secured the Lien replaced, extended or renewed.

(b) Notwithstanding the restriction in subsection (a) of this Section 7.11, the Company or any Significant Subsidiary may, from and after the Release Date, (1) issue, incur or assume Debt secured by a Lien not described in clauses (i) through (vi) of subsection (a) above on any Principal Property now or hereafter owned without providing that the Outstanding Bonds be equally and ratably secured with such Debt and (2) issue or permit to exist Attributable Debt in respect of Principal Property, in either case so long as the aggregate amount of such secured Debt and Attributable Debt, together with the aggregate amount of all other Debt secured by Liens not described in clauses (i) through (vi) of subsection (a) above then outstanding and all other Attributable Debt, does not exceed 10% of the Net Tangible Assets of the Company, as determined by the Company as of a month end not more than 90 days prior to the closing or consummation of the proposed transaction.

(c) For purposes of determining compliance with this Section 7.11, in the event that any Lien at any time meets the criteria of more than one of the categories described in clauses (i) through (vi) above of Section 7.11(a), or is entitled to be created pursuant to Section 7.11(b), the Company will be permitted to classify (and later reclassify) in whole or in part in its sole discretion such Lien in any manner that complies with this Section 7.11.

(d) For purposes of determining compliance with any Dollar-denominated restriction on the incurrence of Debt secured by Liens on Principal Property, the Dollar-equivalent principal amount of Debt denominated in a foreign currency will be calculated based on the relevant currency exchange rate in effect on the date such Debt was incurred, in the case of term Debt, or first committed, in the case of revolving credit Debt; provided that if such Debt is incurred to refinance other Debt denominated in the same foreign currency, and such refinancing would cause the applicable Dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, the Dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of the refinancing Debt does not exceed the principal amount of the Debt being refinanced. Notwithstanding any other provision of this Section 7.11, the maximum amount of Debt secured by Liens on Principal Property that the Company or any Significant Subsidiary may incur pursuant to this covenant will not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

(e) For purposes of this Section 7.11, "Debt" of a Significant Subsidiary shall mean any debt of such Significant Subsidiary for money borrowed and guarantees by such Significant Subsidiary of debt for money borrowed but in each case excluding liabilities in respect of Capital Lease Obligations or Swap Agreements.

SECTION 7.12. Covenants Regarding Diablo Canyon Lease.

So long as the Diablo Canyon Lease constitutes Mortgaged Property, the Company covenants and agrees that it will not: (i) voluntarily or involuntarily, directly or indirectly, assign, transfer or convey the leasehold estate created by the Diablo Canyon Lease, (ii) surrender, terminate or cancel the Diablo Canyon Lease, (iii) consent to the subordination of the Diablo Canyon Lease to any monetary lien on the fee estate of the lessor under the Diablo Canyon Lease, (iv) without the prior written consent of the Trustee, fail to exercise in a timely manner any renewal options contained in the Diablo Canyon Lease and (v) without the prior written consent of the Trustee, modify, alter or amend the Diablo Canyon Lease in a manner that has a material adverse effect on the value of the Mortgaged Property as a whole.

ARTICLE VIII

POSSESSION, USE AND RELEASE OF MORTGAGED PROPERTY

SECTION 8.01. Quiet Enjoyment.

Unless one or more Events of Default shall have occurred and be continuing, the Company shall be permitted to possess, use, manage, operate and enjoy the Mortgaged Property (except, to the extent not herein otherwise provided, such money, deposit accounts, instruments, investment property and other property as are expressly required by this Indenture to be paid or delivered to, deposited with, or held by, the Trustee hereunder) freely and without any hindrance or interference on the part of the Trustee or of the Holders of the Bonds.

SECTION 8.02. Dispositions Without Release.

With respect to any Mortgaged Property or any interest therein, unless an Event of Default shall have occurred and be continuing, the Company may at any time and from time to time, without any release or consent by, or report to, the Trustee:

(a) sell or otherwise dispose of, free from the lien of this Indenture, any machinery, equipment, apparatus, towers, transformers, poles, lines, cables, conduits, ducts, conductors, meters, regulators, holders, tanks, retorts, purifiers, odorizers, scrubbers, compressors, valves, pumps, mains, pipes, service pipes, fittings, connections, services, tools, implements, or any other fixtures or personalty, then subject to the lien hereof, which shall have become old, inadequate, obsolete, worn out, unfit, unadapted, unserviceable, undesirable or unnecessary for use in the operations of the Company upon replacing the same by, or substituting for the same, similar or analogous property, or other property performing a similar or analogous function or otherwise obviating the need therefor (provided, that such similar, analogous or other property constitutes Unfunded Property), having a Cost in the aggregate to the Company at least equal to the Cost in the aggregate of the property sold or otherwise disposed of and subject to the lien

hereof, subject to no Liens prior hereto except Permitted Liens and any other Liens to which the property sold or otherwise disposed of was subject;

(b) cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights-of-way and similar rights and/or interests which are subject to the lien hereof; and

(c) grant, free from the lien of this Indenture, easements, ground leases or rights-of-way in, upon, over and/or across the property or rights-of-way of the Company for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines, railways, removal of coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment; provided, however, that such grant shall not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by the Company.

The Trustee shall, from time to time, execute a written instrument with respect to any particular action taken by the Company under this Section in order to confirm, based solely on its receipt of the documents in subclauses (i), (ii) and (iii) below of this clause (c), that such action does not require any release or consent by, or report to, the Trustee, upon receipt by the Trustee of (i) a Company Order requesting the same, (ii) an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing and stating further that said action was duly taken by the Company in conformity with this Section, and (iii) an Opinion of Counsel stating that said action was duly taken by the Company in conformity with this Section.

SECTION 8.03. Release of Funded Property.

Unless an Event of Default shall have occurred and be continuing, the Company may obtain the release of any part of the Mortgaged Property, or any interest therein, which constitutes Funded Property, and the Trustee shall release all its right, title and interest in and to the same from the lien hereof, upon receipt by the Trustee of:

(a) a Company Order requesting the release of such property and transmitting therewith a form of instrument to effect such release;

(b) an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing;

(c) an Expert's Certificate made and dated not more than ninety (90) days prior to the date of such Company Order, substantially in the form attached hereto as Schedule 2:

(i) describing the property to be released;

(ii) stating the Fair Value, in the judgment of the signers, of the property to be released;

(iii) stating the Funded Property Basis of the property to be released; and

(iv) stating that, in the judgment of the signers, such release will not impair the security under this Indenture in contravention of the provisions hereof;

(d) an Officer's Certificate, substantially in the form attached hereto as Schedule 3, stating:

(i) the amount in cash (the "Cash Deposit Amount"), if any, to be held by the Trustee and constituting Mortgaged Property (and which cash shall then constitute Funded Cash), which Cash Deposit Amount shall be equal to the difference between (A) the Funded Property Basis of the property to be released, less any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released, and (B) the aggregate amount of the Cash Deposit Credit Items; and

(ii) indicating one or more, or any combination, of the following property (collectively, the "Cash Deposit Credit Items"), if any, and the amounts thereof, which together with the Cash Deposit Amount, if any, to be deposited with the Trustee shall form the basis for the release of property requested in the Company Order referred to in clause (a) above of this Section:

(A) the aggregate principal amount of any Purchase Money Obligations delivered to the Trustee, to be held by the Trustee and constituting Mortgaged Property, which are secured by Purchase Money Liens upon the property to be released;

(B) the Adjusted Property Additions Basis (or, as provided below in this clause (ii)(B), the Property Additions Basis), of any Property Additions which constitute Unfunded Property described in an Expert's Certificate, dated not more than ninety (90) days prior to the date of the Company Order requesting such release and complying with clause (ii) and, to the extent applicable, clause (iii) in Section 5.02(b), delivered to the Trustee; provided, however, that for purposes of the above, the Property Additions Basis shall be substituted in lieu of the Adjusted Property Additions Basis if such Property Additions were acquired, made or constructed on or after the ninetieth (90th) day preceding the date of such Company Order;

(C) an amount equal to one hundred fifty percent (150%) of the aggregate principal amount of Bonds to the authentication and delivery of which the Company shall be entitled under the provisions of Section 5.03, by virtue of compliance with all applicable provisions of Section 5.03 (except as hereinafter in this Section otherwise provided); provided, however, that such release shall operate as a waiver by the Company of the right to the authentication and delivery of such Bonds and, to such extent, no such Bonds may thereafter be authenticated and delivered under Section 5.03; and any Bonds which were the basis of such right to the authentication and delivery of Bonds so waived shall be deemed to have been made the basis of such release of property; and

(D) an amount equal to one hundred fifty percent (150%) of the aggregate principal amount of any Outstanding Bonds delivered to the Trustee.

(e) the Cash Deposit Amount and the Cash Deposit Credit Items stated in such Officer's Certificate delivered to the Trustee pursuant to clause (d) of this Section, which in the aggregate

shall be at least equal to the Funded Property Basis of the property to be released, less any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released;

(f) if the release is on the basis of Property Additions or on the basis of the right to the authentication and delivery of Bonds under Section 5.03, all documents contemplated below in this Section; and

(g) if the release is on the basis of the delivery to the Trustee of Purchase Money Obligations, as described in clause (d)(ii)(A) in this Section, all documents contemplated below in this Section, to the extent required.

If and to the extent that the release of property is, in whole or in part, based upon Property Additions (as described in clause (d)(ii)(B) in this Section), the Company shall, subject to the provisions of said clause (d)(ii)(B) and except as hereafter in this paragraph provided, comply with clauses (ii) through (v) of Section 5.02(b) as if such Property Additions were to be made the basis of the authentication and delivery of Bonds equal in principal amount to sixty-six and two-thirds percent ($66^2/_3\%$) of the Funded Property Basis of that portion of the property to be released, as shown by the Expert's Certificate required by clause (c) in this Section, but recognizing that the action to be taken is the release of property rather than the authentication and delivery of Bonds; provided, however, that the Cost of any Property Additions received or to be received by the Company in whole or in part as consideration in exchange for the property to be released shall, for all purposes of this Indenture, be deemed to be the Fair Value of the property to be released as stated in the Expert's Certificate provided for in clause (c) of this Section, (x) plus the amount of any cash and the fair market value of any other consideration, further to be stated in such Expert's Certificate, paid and/or delivered or to be paid and/or delivered by, and the amount of any obligations assumed or to be assumed by, the Company in connection with such exchange as additional consideration for such Property Additions and/or (y) less the amount of any cash and the fair market value of any other consideration, which shall also be stated in such Expert's Certificate, received or to be received by the Company in connection with such exchange in addition to such Property Additions. Notwithstanding the foregoing, in no event shall the Company be required to deliver the documents specified in Section 5.01. Any Property Additions which have become the basis for the release of Funded Property pursuant to this Section shall constitute Funded Property.

If and to the extent that the release of property is, in whole or in part, based upon the right to the authentication and delivery of Bonds under Section 5.03 (as described in clause (d)(ii)(C) of this Section), the Company shall, except as hereafter in this paragraph provided, comply with Section 5.03(b) relating to such authentication and delivery, but recognizing that the action to be taken is the release of property rather than the authentication and delivery of Bonds. Notwithstanding the foregoing provisions of this paragraph, in no event shall the Company be required to deliver the documents specified in Section 5.01.

If the release of property is, in whole or in part, based upon the delivery to the Trustee of Purchase Money Obligations (as described in clause (d)(ii)(A) of this Section), the Company shall deliver to the Trustee:

(a) an Officer's Certificate (i) stating that no event has occurred and is continuing which entitles the holder of the Purchase Money Lien securing such Purchase Money Obligations to accelerate the maturity of the Purchase Money Obligations, if any, outstanding thereunder, (ii) reciting the aggregate principal amount of Purchase Money Obligations, if any, then outstanding thereunder in addition to the Purchase Money Obligations then being delivered in connection with the release of such property and the terms and conditions, if any, on which additional Purchase Money Obligations are permitted to be issued; and

(b) an Opinion of Counsel stating that, in the opinion of the signer, (i) such Purchase Money Obligations are valid obligations, (ii) such Purchase Money Lien constitutes, or, upon the taking of the actions specified in such opinion, will constitute, a Lien upon the property to be released, subject, to the knowledge of such counsel, to no Lien prior thereto except Liens generally of the character of Permitted Liens and such Liens, if any, as shall have existed thereon immediately prior to such release as Liens prior to the lien of this Indenture, (iii) if any Purchase Money Obligations in addition to the Purchase Money Obligations being delivered in connection with such release of property are then outstanding, or are permitted to be issued, under such Purchase Money Lien, (A) that such Purchase Money Lien constitutes, or, upon the taking of the actions specified in such opinion, will constitute, a Lien upon all other property, if any, purporting to be subject thereto, subject, to the knowledge of such counsel, to no Lien prior thereto except Liens generally of the character of Permitted Liens and Liens permitted to exist or to be hereafter created under Section 7.06 and (B) that the terms of such Purchase Money Lien, as then in effect, do not permit the issuance of Purchase Money Obligations thereunder except on the basis of property generally of the character of Property Additions, the retirement or deposit of outstanding Purchase Money Obligations, the deposit of prior Lien obligations or the deposit of cash.

If the Opinion of Counsel provided to the Trustee pursuant to clause (b) above is conditioned upon the filing and/or recording of any instruments of conveyance, assignment or transfer, the Company shall promptly cause such instruments to be filed and/or recorded in the proper places and manner and shall deliver to the Trustee evidence of such filing and/or recording promptly upon receipt of such evidence by the Company.

Any Outstanding Bonds delivered to the Trustee pursuant to clause (d)(ii)(D) of this Section shall forthwith be canceled by the Trustee. Any cash and/or Purchase Money Obligations deposited with the Trustee pursuant to clause (d)(ii)(A) of this Section, and the proceeds of any such Purchase Money Obligations, shall be held by the Trustee and constitute Mortgaged Property and shall be withdrawn, released, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 8.07.

Anything in this Indenture to the contrary notwithstanding, if property to be released constitutes Funded Property in part only, the Company shall obtain the release of the part of such property which constitutes Funded Property under this Section and obtain the release of the part of such property which constitutes Unfunded Property under Section 8.04; provided, that the foregoing shall not preclude the release of such property under any other applicable Section of this Article VIII. In such event, (i) the application of Property Additions in the release under clause (d)(ii)(B) of this Section shall be taken into account in clause (vi) or clause (vii), whichever may be applicable, of the Expert's Certificate described in clause (c) in Section 8.04

and (ii) the Trustee shall, at the election of the Company, execute and deliver a separate instrument of release with respect to the property released under each of such Sections or a consolidated instrument of release with respect to the property released under both of such Sections considered as a whole. To the extent that only a portion of any Funded Property is to be released under this Section 8.03, the Company shall be entitled to make an allocation of the Funded Property Basis between that portion of the Funded Property being released and that portion of the Funded Property remaining subject to the lien of this Indenture on any reasonable basis as may be determined by the Company.

SECTION 8.04. Release of Property Constituting Unfunded Property.

Unless an Event of Default shall have occurred and be continuing, the Company may obtain the release of any part of the Mortgaged Property, or any interest therein, which constitutes Unfunded Property, and the Trustee shall release all its right, title and interest in and to the same from the lien hereof, upon receipt by the Trustee of:

(a) a Company Order requesting the release of such property and transmitting therewith a form of instrument to effect such release;

(b) an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing;

(c) an Expert's Certificate, made and dated not more than ninety (90) days prior to the date of such Company Order, substantially in the form attached hereto as Schedule 4:

(i) describing the property to be released;

(ii) stating (A) the Fair Value, in the judgment of the signers, of the property to be released, (B) to the extent such property to be released is subject to a Senior Lien securing Senior Lien Obligations, the outstanding principal amount of such Senior Lien Obligations as of the date of such certificate, and (C) the Net Fair Value of the property to be released;

(iii) stating the Cost and Net Cost of the property to be released;

(iv) stating the Property Additions Basis of the property to be released;

(v) stating that the property to be released constitutes Unfunded Property;

(vi) if true, stating (I) that the aggregate Adjusted Property Additions Basis of all Property Additions which constitute Unfunded Property (excluding the property to be released), is not less than zero (0), or (II) that the Adjusted Property Additions Basis of the property to be released does not exceed the aggregate Adjusted Property Additions Basis of all Property Additions acquired, made or constructed on or after the ninetieth (90th) day prior to the date of the Company Order requesting such release;

(vii) if neither of the statements contemplated in subclause (vi) above cannot be made, stating (A) the amount by which zero (0) exceeds the amount referred to in subclause (vi)(I) above (showing in reasonable detail the calculation thereof) (such amount being

referred to in this Section as the "Make-up Amount") and (B) the amount in cash, if any, to be deposited by the Company, held by the Trustee, and constitute Mortgaged Property, calculated as described in clause (d) below of this Section; and

(viii) stating that, in the judgment of the signers, such release will not impair the security under this Indenture in contravention of the provisions hereof;

(d) if the Expert's Certificate required by clause (c) above does not contain the statement contemplated in clause (c)(vi) above, an amount in cash equal to sixty-six and two-thirds percent ($66^2/_3\%$) of the lower of (i) the Property Additions Basis of the property to be released and (ii) the Make-up Amount, less the aggregate of items of the character described in clauses (d)(ii)(C) and (d)(ii)(D) of Section 8.03 then to be used as a credit against cash required to be deposited under this clause (d) (subject, however, to the same limitations and conditions with respect to such items as are set forth in Section 8.03); and

(e) items of the character described in clause (d) above in this Section, if any, being used by the Company as a credit against cash required to be deposited with the Trustee pursuant to clause (d) above in this Section.

SECTION 8.05. Release of Properties Within Annual Limits.

(a) Notwithstanding the provisions of Sections 8.03 and 8.04, unless an Event of Default shall have occurred and be continuing, the Company may obtain the release from the lien hereof of any part of the Mortgaged Property, or any interest therein, and the Trustee shall whenever from time to time requested by the Company in a Company Order transmitting therewith a form of instrument to effect such release, and without requiring compliance with any of the provisions of Section 8.03 or 8.04, release from the lien hereof all the right, title and interest of the Trustee in and to the same, provided that the aggregate Fair Value of the property to be so released on any date in a given calendar year, together with the Fair Value of all other property released pursuant to this Section 8.05(a) in such calendar year, shall not exceed the greater of (i) Ten Million Dollars ($10,000,000) for calendar year 2004; provided, that with respect to any subsequent calendar year, such amount shall be increased by the same percentage increase in the CPI Index for the period commencing January 1, 2004 and ending on January 1 of the applicable calendar year as set forth in an Officer's Certificate delivered to the Trustee and (ii) three percent (3%) of the aggregate principal amount of Bonds then Outstanding.

(b) Prior to the granting of any release under this Section, there shall be delivered to the Trustee:

(i) an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing, and

(ii) an Expert's Certificate stating (A) in the judgment of the signers, the Fair Value of the property to be released and the aggregate Fair Value of all other property theretofore released pursuant to this Section in such calendar year, (B) as to Funded Property, the Funded Property Basis thereof, and (C) that, in the judgment of the signers, the release thereof will not impair the security under this Indenture in contravention of the provisions hereof.

(c) On or before December 31st of each calendar year, the Company shall deposit with the Trustee an amount in cash equal to sixty-six and two-thirds percent ($66^2/_3\%$) of the aggregate Funded Property Basis of the properties constituting Funded Property so released during such year (the "Cash Deposit Amount") and such Cash Deposit Amount shall constitute Mortgaged Property; provided, however, that the Cash Deposit Amount may be reduced, at the election of the Company, by any of, or any combination of, the Cash Deposit Credit Items specified in clause (d)(ii) of Section 8.03, subject to all of the limitations and conditions specified in such Section, to the same extent as if such property were being released pursuant to Section 8.03.

Any cash deposited with the Trustee under this Section may thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 8.07.

SECTION 8.06. Purchase Money Obligations.

(a) Any Purchase Money Obligations delivered to the Trustee in consideration of the release of property from the lien of this Indenture, together with any evidence of the applicable Purchase Money Lien held by the Trustee, shall be released from the lien of this Indenture and delivered to or upon the order of the Company upon payment by the Company to the Trustee of an amount in cash equal to the aggregate principal amount of such Purchase Money Obligations less the aggregate amount theretofore paid to the Trustee (by the Company, the obligor or otherwise) in respect of the principal of such Purchase Money Obligations, such cash to constitute Mortgaged Property.

(b) The principal of and interest on any such Purchase Money Obligations secured by a Purchase Money Lien held by the Trustee shall be held by the Trustee as and when the same are received by the Trustee and shall constitute Mortgaged Property. The interest received by the Trustee on any such Purchase Money Obligations shall be deemed not to constitute Funded Cash and shall be remitted to the Company free and clear of any Lien; provided, however, that if an Event of Default shall have occurred and be continuing, such proceeds shall constitute Mortgaged Property and shall be retained by the Trustee until such Event of Default shall have been cured or waived.

(c) The Trustee shall have and may exercise all the rights and powers of any owner of such Purchase Money Obligations and of all substitutions therefor and, without limiting the generality of the foregoing, may collect and receive all insurance moneys payable to it under any of the provisions thereof and apply the same in accordance with the provisions thereof, may consent to extensions thereof at a higher or lower rate of interest, may join in any plan or plans of voluntary or involuntary reorganization or readjustment or rearrangement and may accept and hold hereunder new obligations, stocks or other securities issued in exchange therefor under any such plan. Any discretionary action which the Trustee may be entitled to take in connection with any such Purchase Money Obligations or substitutions therefor shall be taken, so long as no Event of Default shall have occurred and be continuing, in accordance with a Company Order, and, during the continuance of an Event of Default, in its own discretion.

(d) Anything herein to the contrary notwithstanding, the Company may irrevocably waive all right to the withdrawal pursuant to this Section of, and any other rights with respect to,

any Purchase Money Obligations held by the Trustee, and the proceeds of any such Purchase Money Obligations, by delivery to the Trustee of a Company Order:

(i) specifying such Purchase Money Obligations and stating that the Company thereby waives all rights to the withdrawal thereof and of the proceeds thereof pursuant to this Section, and any other rights with respect thereto; and

(ii) directing that the principal of such Purchase Money Obligations be applied as provided in clause (e) of Section 8.07, specifying the Bonds to be paid or redeemed or for the payment or redemption of which payment is to be made.

Following any such waiver, the interest on any such Purchase Money Obligations shall be applied to the payment of interest, if any, on the Bonds to be paid or redeemed or for the payment or redemption of which provision is to be made, as specified in the aforesaid Company Order, as and when such interest shall become due from time to time, and any excess funds remaining from time to time after such application shall be applied to the payment of interest on any other Bonds as and when the same shall become due. Pending any such application, the interest on such Purchase Money Obligations shall be invested in Investment Securities specified in a Company Order. The principal of any such Purchase Money Obligations shall be applied solely to the payment of principal of the Bonds to be paid or redeemed or for the payment or redemption of which provision is to be made, as specified in the aforesaid Company Order. Pending such application, the principal of such Purchase Money Obligations shall be invested in Eligible Obligations specified in a Company Order. The obligation of the Company to pay the principal of such Bonds when the same shall become due at Maturity, shall be offset and reduced by the amount of the proceeds of such Purchase Money Obligations then held, and to be applied, by the Trustee in accordance with this paragraph.

SECTION 8.07. Withdrawal or Other Application of Funded Cash.

Subject to the provisions of Section 5.04 with respect to Deposited Cash and except as hereafter in this Section provided, unless an Event of Default shall have occurred and be continuing, any Funded Cash held by the Trustee, and any other cash which is required to be withdrawn, used or applied as provided in this Section,

(a) may be withdrawn from time to time by the Company free and clear of any Lien to the extent of the Adjusted Property Additions Basis (or, as provided below in this clause (a), the Property Additions Basis) of Property Additions constituting Unfunded Property, described in an Expert's Certificate, dated not more than ninety (90) days prior to the date of the Company Order requesting such withdrawal and complying with clause (ii) and, to the extent applicable, clause (iii) in Section 5.02(b), delivered to the Trustee; provided, however, that, for purposes of the above, the Property Additions Basis shall be substituted in lieu of the Adjusted Property Additions Basis if such Property Additions were acquired, made or constructed on or after the ninetieth (90th) day preceding the date of such Company Order;

(b) may be withdrawn from time to time by the Company free and clear of any Lien in an amount equal to one hundred fifty percent (150%) of the aggregate principal amount of Bonds to the authentication and delivery of which the Company shall be entitled under the provisions of

Section 5.03 hereof, by virtue of compliance with all applicable provisions of Section 5.03 (except as hereinafter in this Section otherwise provided); provided, however, that such withdrawal of cash shall operate as a waiver by the Company of the right to the authentication and delivery of such Bonds and, to such extent, no such Bonds may thereafter be authenticated and delivered hereunder; and any such Bonds which were the basis of such right to the authentication and delivery of Bonds so waived shall be deemed to have been made the basis of such withdrawal of cash;

(c) may be withdrawn from time to time by the Company free and clear of any Lien in an amount equal to one hundred fifty percent (150%) of the aggregate principal amount of any Outstanding Bonds delivered to the Trustee;

(d) may, upon delivery of a Company Request to the Trustee, be used by the Trustee for the purchase of Bonds in the manner, at the time or times, in the amount or amounts, at the price or prices (not exceeding one hundred fifty percent (150%) of the principal amount thereof) and otherwise as directed or approved by the Company, all subject to the limitations hereafter in this Section set forth; or

(e) may, upon delivery of a Company Request to the Trustee, be applied by the Trustee to the payment (or provision therefor pursuant to Article IX) at Stated Maturity of any Bonds or to the redemption (or similar provision therefor) of any Bonds which are, by their terms, redeemable, in each case of such series as may be designated by the Company, any such redemption to be in the manner and as provided in Article VI, all subject to the limitations hereafter in this Section set forth.

Such moneys shall, from time to time, be paid or used or applied by the Trustee, as aforesaid, upon the request of the Company in a Company Order, and upon receipt by the Trustee of an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing. If and to the extent that the withdrawal of cash is based upon Property Additions (as permitted under the provisions of clause (a) above), the Company shall, subject to the provisions of said clause (a) and except as hereafter in this paragraph provided, comply with clauses (ii) through (v) of Section 5.02(b) as if such Property Additions were made the basis for the authentication and delivery of Bonds equal in principal amount to sixty-six and two-thirds percent ($66^2/_3\%$) of the cash so to be withdrawn, but recognizing that the action to be taken is the release of Funded Cash rather than the authentication and delivery of Bonds. Any Property Additions which have become the basis for the withdrawal of cash pursuant to this Section shall constitute Funded Property. If and to the extent that the withdrawal of cash is based upon the right to the authentication and delivery of Bonds (as permitted under the provisions of clause (b) above), the Company shall, except as hereafter in this paragraph provided, comply with Section 5.03(b) relating to such authentication and delivery, but recognizing that the action to be taken is the release of Funded Cash rather than the authentication and delivery of Bonds. Notwithstanding the foregoing provisions of this paragraph, in no event shall the Company be required to deliver the documents specified in Section 5.01.

Notwithstanding the generality of clauses (d) and (e) above, no cash to be applied pursuant to such clauses shall be applied to the payment of an amount in excess of the principal

amount of any Bonds to be purchased, paid or redeemed except to the extent that the aggregate principal amount of all Bonds theretofore, and of all Bonds then to be, purchased, paid or redeemed pursuant to such clauses is not less than the aggregate cost for principal of, premium, if any, and accrued interest, if any, on and brokerage commissions, if any, with respect to, such Bonds.

Any Outstanding Bonds delivered to the Trustee pursuant to clause (c) in this Section shall forthwith be canceled by the Trustee.

SECTION 8.08. Release of Property Taken by Eminent Domain, etc.

Should any of the Mortgaged Property, or any interest therein, be taken by exercise of the power of eminent domain or be sold to an entity possessing the power of eminent domain under a threat to exercise the same, and should the Company elect not to obtain the release of such property pursuant to other provisions of this Article, the Trustee shall, upon request of the Company evidenced by a Company Order transmitting therewith a form of instrument to effect such release, release from the lien hereof all its right, title and interest in and to the property so taken or sold (or with respect to an interest in property, subordinate the lien hereof to such interest), upon receiving (a) an Opinion of Counsel to the effect that such property has been taken by exercise of the power of eminent domain or has been sold to an entity possessing the power of eminent domain under threat of an exercise of such power, (b) an Officer's Certificate stating the amount of net proceeds received or to be received for such property so taken or sold, and the amount so stated shall be deemed to be the Fair Value of such property for the purpose of any notice to the Holders of Bonds, (c) if any portion of such property constitutes Funded Property, an Expert's Certificate stating the Funded Property Basis thereof and (d) if any portion of such property constitutes Funded Property, a deposit by the Company of an amount in cash equal to sixty-six and two-thirds percent ($66^2/_3\%$) of the Funded Property Basis stated in the Expert's Certificate delivered pursuant to clause (c) above, such deposit to constitute Mortgaged Property; provided, however, that the amount required to be so deposited shall not exceed the portion of the net proceeds received or to be received for such property so taken or sold which is allocable on a pro-rata or other reasonable basis to the portion of such property constituting Funded Property; and provided, further, that the net proceeds of such taking or sale required to be deposited pursuant to this Section shall be reduced by the amount of cash or other consideration that has been delivered to or otherwise deposited with a holder of a Senior Lien securing Senior Lien Obligations in accordance with the provisions of such Senior Lien, all as stated in an Officer's Certificate delivered to the Trustee (which shall also state that such cash or consideration has not previously been applied by the Company as a credit against any other deposit of cash required to be made by the Company under this Indenture). Any cash deposited with the Trustee under this Section may thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 8.07.

SECTION 8.09. Disclaimer or Quitclaim.

In case the Company has sold, exchanged, dedicated, pledged, assigned, transferred or otherwise disposed of, or has agreed or intends to sell, exchange, dedicate, pledge, assign, transfer or otherwise dispose of, or a Governmental Authority has ordered the Company to divest itself of, any Excepted Property or any other property not subject to the lien hereof, or the

Company desires to disclaim or quitclaim title to property to which the Company does not purport to have title, the Trustee shall, from time to time, disclaim or quitclaim such property and any interest it may have therein upon receipt by the Trustee of the following:

(a) a Company Order requesting such disclaimer or quitclaim and transmitting therewith a form of instrument to effect such disclaimer or quitclaim;

(b) an Officer's Certificate describing the property to be disclaimed or quitclaimed; and

(c) an Opinion of Counsel stating the signer's opinion that such property does not constitute Mortgaged Property.

SECTION 8.10. Miscellaneous.

(a) If the Fair Value of the property to be released from the lien of this Indenture in accordance with any provision of this Article, other than Section 8.12, plus the Fair Value of all other property released since the commencement of the then current calendar year, as set forth in the certificates required by this Indenture, is ten percent (10%) or more of the aggregate principal amount of the Bonds at the time Outstanding, an Independent Expert shall be required to make the certifications in the Expert's Certificate required pursuant to this Article as to the Fair Value of the property to be released and as to the nonimpairment of the security under this Indenture. Notwithstanding the previous sentence, an Expert's Certificate shall not be required to be made by an Independent Expert in the case of any release of property if the Fair Value of such property to be released, as set forth in the certificates required by this Indenture, is a De Minimis Amount. To the extent that the Fair Value of any property to be released from the lien of this Indenture shall be stated in an Independent Expert's Certificate, such Fair Value shall not be required to be stated in any other Expert's Certificate delivered in connection with such release.

(b) No release of property from the lien of this Indenture effected in accordance with the provisions, and in compliance with the conditions, set forth in this Article and in Sections 1.04 and 1.05 shall be deemed to impair the security of this Indenture in contravention of any provision hereof.

(c) If the Mortgaged Property shall be in the possession of a receiver or trustee, lawfully appointed, the powers hereinbefore conferred upon the Company with respect to the release of any part of the Mortgaged Property or any interest therein or the withdrawal of cash may be exercised, with the approval of the Trustee, by such receiver or trustee, notwithstanding that an Event of Default may have occurred and be continuing, and any request, certificate, appointment or approval made or signed by such receiver or trustee for such purposes shall be as effective as if made by the Company or any of its officers or appointees in the manner herein provided; and if the Trustee shall be in possession of the Mortgaged Property under any provision of this Indenture, then such powers may be exercised by the Trustee in its discretion notwithstanding that an Event of Default may have occurred and be continuing.

(d) If the Company shall retain any interest in any property released from the lien of this Indenture as provided in Section 8.03, 8.04 or 8.05, this Indenture shall not become or be, or be required to become or be, a Lien upon such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or

substitutions of or for such property or any part or parts thereof or any proceeds of any of the foregoing unless the Company shall execute and deliver to the Trustee an indenture supplemental hereto, in recordable form, containing a grant, conveyance, transfer and mortgage thereof. As used in this subsection, the terms "improvements", "extensions" and "additions" shall be limited as set forth in Section 13.01.

(e) Notwithstanding the occurrence and continuance of an Event of Default, the Trustee, in its discretion, may release from the lien hereof any part of the Mortgaged Property or permit the withdrawal of cash, upon compliance with the other conditions specified in this Article in respect thereof.

(f) No purchaser or grantee of property purporting to have been released hereunder shall be bound to ascertain the authority of the Trustee to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser or grantee of any property or rights permitted by this Article to be sold, granted, exchanged, dedicated or otherwise disposed of, be under obligation to ascertain or inquire into the authority of the Company to make any such sale, grant, exchange, dedication or other disposition.

SECTION 8.11. Priority of Purchase Money Liens.

The Trustee hereby acknowledges and agrees to subordinate the lien of this Indenture to any Purchase Money Lien or conservation easement upon receipt by the Trustee of (i) a Company Request for any such subordination which includes a description of the Purchase Money Lien or the conservation easement to which this Indenture is being subordinated, (ii) an Officer's Certificate stating that no Event of Default has occurred and is continuing to the knowledge of the signer, that the mortgage or other instrument or agreement with respect to which a subordination is being requested is a Purchase Money Lien or conservation easement and stating that such Purchase Money Lien or conservation easement does not encumber any Funded Property, and (iii) a form of instrument appropriate and reasonably satisfactory to the Trustee to effect such subordination. Upon receipt of the foregoing, the Trustee hereby agrees to promptly execute, acknowledge and deliver the instrument described in clause (iii) above or any other instrument that the Company may request in order to evidence or effect the subordination as requested by the Company. Notwithstanding the foregoing, nothing herein shall require the Trustee to, and the Trustee shall not unless otherwise permitted under the terms of this Indenture, subordinate the lien of this Indenture to any Purchase Money Lien or conservation easement which encumbers Funded Property.

SECTION 8.12. Release Date.

The date upon which the lien of this Indenture shall be discharged, canceled, terminated and satisfied and the Mortgaged Property shall be released to the Company free and clear of any Lien (the "Release Date") shall be the date chosen by the Company and specified in a Company Order delivered to the Trustee, which date shall not be earlier than the date of delivery by the Company to the Trustee of each of the following:

(a) Written evidence that the Unsecured Debt Ratings, immediately after the Release Date, shall be at least equal to the Issuance Date Secured Debt Ratings;

(b) An Officer's Certificate stating that the aggregate principal amount of Debt secured by a Lien on any Principal Property that will be outstanding immediately after the Release Date (excluding secured Debt permitted by Section 7.11(a)(i)-(vi)) will not exceed five percent (5%) of the Company's Net Tangible Assets as determined by the Company as of a month end not more than 90 days prior to the Release Date;

(c) A Company Order requesting execution and delivery by the Trustee of a supplemental indenture (which may amend and restate this Indenture) and such instruments as the Company may deem necessary or desirable to discharge, cancel, terminate or satisfy the lien of this Indenture; and

(d) An Officer's Certificate stating that to the knowledge of the signer, no Event of Default has occurred and is continuing.

Upon the occurrence of the Release Date, the Trustee shall promptly (i) authorize, execute and deliver to the order of the Company the documents and instruments necessary to discharge, cancel, terminate and satisfy the lien of this Indenture, (ii) release, quitclaim and otherwise turn over to the Company all Mortgaged Property (other than money and Eligible Obligations held by the Trustee pursuant to Section 9.03), and (iii) execute and deliver to the Company such deeds, termination statements and other documents and instruments as, in the judgment of the Company, shall be necessary, desirable or appropriate to effect or evidence such release, quitclaim and turnover.

Upon the occurrence of the Release Date and notwithstanding any other provision of this Indenture or the Bonds, all Bonds, automatically and without any further action by the Company, the Trustee, or any Holder, shall no longer be secured by any collateral and shall constitute unsecured obligations of the Company, all references in this Indenture to the lien of the Indenture or the Mortgaged Property shall be of no further force or effect, and the provisions of this Indenture and the Bonds shall be construed consistently with the status of the Bonds as unsecured obligations of the Company.

The Company shall, as promptly as practicable after the occurrence of the Release Date, give notice to all Holders of the occurrence of the Release Date in the same manner as a notice of redemption and disseminate a press release through a public medium as is customary for such a press release announcing that the lien of the Indenture has been released as of the Release Date.

ARTICLE IX

SATISFACTION AND DISCHARGE

SECTION 9.01. Satisfaction and Discharge of Bonds.

Any Bond or Bonds, or any portion of the principal amount thereof, shall be deemed to have been paid and no longer Outstanding for all purposes of this Indenture, and the entire indebtedness of the Company in respect thereof shall be satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust:

(a) money (including Funded Cash not otherwise applied pursuant to Section 8.07) in an amount which shall be sufficient, or

(b) in the case of a deposit made prior to the Maturity of such Bonds or portions thereof, Eligible Obligations, which shall not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Trustee or such Paying Agent, shall be sufficient, or

(c) a combination of (a) or (b) which shall be sufficient to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Bonds or portions thereof; provided, however, that in the case of the provision for payment or redemption of less than all the Bonds of any series or Tranche, such Bonds or portions thereof shall have been selected by the Bond Registrar as provided herein and, in the case of a redemption, the notice requisite to the validity of such redemption shall have been given or irrevocable authority shall have been given by the Company to the Trustee to give such notice, under arrangements satisfactory to the Trustee; and provided, further, that the Company shall have delivered to the Trustee and such Paying Agent:

(x) if such deposit shall have been made prior to the Maturity of such Bonds, a Company Order stating that the money and Eligible Obligations deposited in accordance with this Section shall be held in trust, as provided in Section 9.03;

(y) if Eligible Obligations shall have been deposited, an Opinion of Counsel to the effect that such obligations constitute Eligible Obligations and do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, and an opinion of an Independent public Accountant of nationally recognized standing, selected by the Company, to the effect that the other requirements set forth in clause (b) above have been satisfied; and

(z) if such deposit shall have been made prior to the Maturity of such Bonds, an Officer's Certificate stating the Company's intention that, upon delivery of such Officer's Certificate, its indebtedness in respect of such Bonds or portions thereof will have been satisfied and discharged as contemplated in this Section.

Upon the deposit of money or Eligible Obligations, or both, in accordance with this Section, together with the documents required by clauses (x), (y) and (z) above, the Trustee shall, upon Company Request, acknowledge in writing that such Bonds or portions thereof are deemed to have been paid for all purposes of this Indenture and that the entire indebtedness of the Company in respect thereof has been satisfied and discharged as contemplated in this Section. In the event that all of the conditions set forth in the preceding paragraph shall have been satisfied in respect of any Bonds or portions thereof except that, for any reason, the Officer's Certificate specified in clause (z) (if otherwise required) shall not have been delivered, such Bonds or portions thereof shall nevertheless be deemed to have been paid for all purposes of this Indenture, and the Holders of such Bonds or portions thereof shall nevertheless be no longer entitled to the benefit of the lien of this Indenture (other than with respect to such deposit, which

shall constitute Mortgaged Property) or of any of the covenants of the Company under Article VII (except the covenants contained in Sections 7.02 and 7.03) or any other covenants made in respect of such Bonds or portions thereof as contemplated by Section 3.01, but the indebtedness of the Company in respect of such Bonds or portions thereof shall not be deemed to have been satisfied and discharged prior to Maturity for any other purpose; and, upon Company Request, the Trustee shall acknowledge in writing that such Bonds or portions thereof are deemed to have been paid for all purposes of this Indenture.

If payment at Stated Maturity of less than all of the Bonds of any series, or any Tranche thereof, is to be provided for in the manner and with the effect provided in this Section, the Bond Registrar shall select such Bonds, or portions of principal amount thereof, in the manner specified by Section 6.03 for selection for redemption of less than all the Bonds of a series or Tranche.

In the event that Bonds which shall be deemed to have been paid for purposes of this Indenture, and, if such is the case, in respect of which the Company's indebtedness shall have been satisfied and discharged, all as provided in this Section, do not mature and are not to be redeemed within the sixty (60) day period commencing with the date of the deposit of moneys or Eligible Obligations, as aforesaid, the Company shall, as promptly as practicable, give a notice, in the same manner as a notice of redemption with respect to such Bonds, to the Holders of such Bonds to the effect that such deposit has been made and the effect thereof.

Notwithstanding that any Bonds shall be deemed to have been paid for purposes of this Indenture, as aforesaid, the obligations of the Company and the Trustee in respect of such Bonds under Sections 3.04, 3.05, 3.06, 6.04, 7.02, 7.03, 11.07 and 11.15 and this Article shall survive.

The Company shall pay, and shall indemnify the Trustee or any Paying Agent with which Eligible Obligations shall have been deposited as provided in this Section against, any tax, fee or other charge imposed on or assessed against such Eligible Obligations or the principal or interest received in respect of such Eligible Obligations, including, but not limited to, any such tax payable by any entity deemed, for tax purposes, to have been created as a result of such deposit.

Anything herein to the contrary notwithstanding, (a) if, at any time after a Bond would be deemed to have been paid for purposes of this Indenture, and, if such is the case, the Company's indebtedness in respect thereof would be deemed to have been satisfied and discharged, pursuant to this Section (without regard to the provisions of this paragraph), the Trustee or any Paying Agent, as the case may be, shall be required to return the money or Eligible Obligations, or combination thereof, deposited with it as aforesaid to the Company or its representative under any applicable federal or state bankruptcy, insolvency or other similar law, such Bond shall thereupon be deemed retroactively not to have been paid and any satisfaction and discharge of the Company's indebtedness in respect thereof shall retroactively be deemed not to have been effected, and such Bond shall be deemed to remain Outstanding and (b) any satisfaction and discharge of the Company's indebtedness in respect of any Bond shall be subject to the provisions of the last paragraph of Section 7.03.

SECTION 9.02. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect (except as hereinafter expressly provided), and the Trustee, at the expense of the Company, shall execute such instruments as the Company shall reasonably request to evidence and acknowledge the satisfaction and discharge of this Indenture, when:

(a) no Bonds remain Outstanding hereunder;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

provided, however, that if, in accordance with the last paragraph of Section 9.01, any Bond, previously deemed to have been paid for purposes of this Indenture, shall be deemed retroactively not to have been so paid, this Indenture shall thereupon be deemed retroactively not to have been satisfied and discharged, as aforesaid, and to remain in full force and effect, and the Company shall execute and deliver such instruments as the Trustee shall reasonably request to evidence and acknowledge the same.

Notwithstanding the satisfaction and discharge of this Indenture as aforesaid, the obligations of the Company and the Trustee under Sections 3.04, 3.05, 3.06, 6.04, 7.02, 7.03, 11.07 and 11.15 and this Article shall survive.

Upon satisfaction and discharge of this Indenture as provided in this Section, the Trustee shall, to the extent not already done so pursuant to Section 8.12, release, quit claim and otherwise turn over to the Company the Mortgaged Property (other than money and Eligible Obligations held by the Trustee pursuant to Section 9.03) and shall execute and deliver to the Company such deeds and other instruments as, in the judgment of the Company, shall be necessary, desirable or appropriate to effect or evidence such release and quitclaim and the satisfaction and discharge of this Indenture.

SECTION 9.03. Application of Trust Money.

Neither the Eligible Obligations nor the money deposited pursuant to Section 9.01, nor the principal or interest payments on any such Eligible Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest, if any, on the Bonds or portions of principal amount thereof in respect of which such deposit was made, all subject, however, to the provisions of Section 7.03; provided, however, that any cash received from such principal or interest payments on such Eligible Obligations, if not then needed for such purpose, shall, to the extent practicable and upon Company Request and delivery to the Trustee of the documents referred to in subclause (y) of clause (c) in Section 9.01, be invested pursuant to a Company Order in Eligible Obligations of the type described in clause (b) in Section 9.01 maturing at such times and in such amounts as shall be sufficient, together with any other moneys and the proceeds of any other Eligible

Obligations then held by the Trustee, to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Bonds or portions thereof on and prior to the Maturity thereof, and interest earned from such reinvestment shall be paid over to the Company as received, free and clear of the lien of this Indenture, except the lien provided by Section 11.07; and provided, further, that any moneys held in accordance with this Section on the Maturity of all such Bonds in excess of the amount required to pay the principal of and premium, if any, and interest, if any, then due on such Bonds shall be paid over to the Company free and clear of the lien of this Indenture, except the lien provided by Section 11.07; and provided, further, that if an Event of Default shall have occurred and be continuing, moneys to be paid over to the Company pursuant to this Section shall be retained by the Trustee and constitute Mortgaged Property until such Event of Default shall have been waived or cured.

ARTICLE X

EVENTS OF DEFAULT; REMEDIES

SECTION 10.01. Events of Default.

"Event of Default", wherever used herein with respect to the Bonds, means any of the following events which shall have occurred and be continuing:

(a) the failure to pay interest, if any, on any Bond within thirty (30) days after the same becomes due and payable; or

(b) the failure to pay the principal of or sinking fund installment, if any, or premium, if any, on any Bond after the same becomes due and payable; or

(c) the failure to perform or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in the performance of which or breach of which is elsewhere in this Section specifically dealt with) for a period of ninety (90) days after there has been given, by registered or certified mail, return receipt requested, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least thirty-three percent (33%) in principal amount of the Bonds then Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, unless the Trustee, or the Trustee and the Holders of a principal amount of Bonds not less than the principal amount of Bonds the Holders of which gave such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; or

(d) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state bankruptcy, insolvency or other similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or

order for relief or any such other decree or order shall have remained unstayed and in effect for a period of ninety (90) consecutive days; or

(e) the commencement by the Company of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable federal or state bankruptcy, insolvency or other similar law, or the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by the Company of a general assignment for the benefit of creditors, or an admission in writing by the Company of its inability to pay its debts generally as they become due; or

(f) the occurrence of any event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Debt of the Company, whether such Debt exists on the Execution Date or shall thereafter be created, if such event of default:

(i) is caused by a failure to pay principal after final maturity of such Debt after the expiration of the grace period provided in such Debt (a "Payment Default"), or

(ii) results in the acceleration of such Debt prior to its express maturity,

and in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $100,000,000 or more; provided, however, that, anything in this Indenture to the contrary notwithstanding, if prior to the Release Date, such event of default is cured or waived or any such acceleration rescinded, or such Debt is repaid, within a period of twenty (20) days from the continuation of such event of default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, such Event of Default under this Indenture shall be automatically cured; provided, further, that with respect to any mortgage, indenture or instrument that exists on the Execution Date, this Section 10.01(f) only applies to the extent that the obligations to pay amounts thereunder are enforceable after the Effective Date.

For purposes of Section 10.01(f), the amount of $100,000,000 shall be increased in any calendar year subsequent to 2004 by the same percentage increase in the CPI Index for the period commencing January 1, 2004 and ending on January 1 of the applicable calendar year.

SECTION 10.02. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default shall have occurred and be continuing, then in every such case the Trustee or the Holders of not less than a majority prior to the Release Date or 33% on or after the Release Date, in aggregate principal amount of Bonds then Outstanding, considered as one class,

may declare the principal amount (or, if any of the Bonds are Discount Bonds, such portion of the principal amount of such Bonds as may be specified in the terms thereof as contemplated by Section 3.01) of all Bonds then Outstanding to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon such declaration such principal amount (or specified amount), together with premium, if any, and accrued interest, if any, thereon, shall become immediately due and payable; provided, however, that with respect to an Event of Default described in Section 10.01(d) or (e), the principal amount (or, if any of the Bonds are Discount Bonds, such portion of the principal amount of such Bonds as may be specified in the terms thereof as contemplated by Section 3.01) of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or Holders.

At any time after such a declaration of acceleration of the Maturity of the Bonds then Outstanding shall have been made, but before any sale of any of the Mortgaged Property has been made and before a judgment or decree for payment of the money due shall have been obtained by the Trustee as provided in this Article, the Event or Events of Default giving rise to such declaration of acceleration shall, without further act and notwithstanding anything to the contrary in Section 316(a) of the Trust Indenture Act, be deemed to have been waived, and such declaration and its consequences shall, without further act, be deemed to have been rescinded and annulled, if

(a) the Company shall have paid or deposited with the Trustee a sum sufficient to pay

(i) all overdue interest, if any, on all Bonds then Outstanding;

(ii) the principal of and premium, if any, on any Bonds then Outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds; and

(iii) all amounts due to the Trustee under Section 11.07; and

(b) any other Event or Events of Default, other than the non-payment of the principal of Bonds which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 10.17.

No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 10.03. Entry Upon Mortgaged Property.

Prior to the Release Date, if an Event of Default shall have occurred and be continuing, the Company, upon demand of the Trustee and if and to the extent permitted by law, shall forthwith surrender to the Trustee the actual possession of, and the Trustee, by such officers or agents as it may appoint, may enter upon and take possession of, the Mortgaged Property; and the Trustee may hold, operate and manage the Mortgaged Property and make all needful repairs and such renewals, replacements, betterments and improvements as to the Trustee shall seem prudent; and the Trustee may receive the rents, issues, profits, revenues and other income of the Mortgaged Property, to the extent, if any, that the same shall not then constitute Excepted Property; and, after deducting the costs and expenses of entering, taking possession, holding,

operating and managing the Mortgaged Property, as well as payments for insurance and taxes and other proper charges upon the Mortgaged Property prior to the lien of this Indenture and reasonable compensation to itself, its agents and counsel, the Trustee may apply the same as provided in Section 10.07. Whenever all that is then due in respect of the principal of and premium, if any, and interest, if any, on the Bonds and under any of the terms of this Indenture shall have been paid and all defaults hereunder shall have been cured or shall have been waived as provided in Section 10.17, the Trustee shall surrender possession of the Mortgaged Property to the Company.

SECTION 10.04. Power of Sale; Suits for Enforcement.

If an Event of Default shall have occurred and be continuing, the Trustee, by such officers or agents as it shall appoint, with or without entry, in its discretion may, subject to the provisions of Section 10.16 and if and to the extent permitted by law:

(a) prior to the Release Date, sell, subject to any mandatory requirements of applicable law, the Mortgaged Property as an entirety, or in such parcels as the Holders of a majority in principal amount of the Bonds then Outstanding shall in writing request, or in the absence of such request, as the Trustee may determine, to the highest bidder at public auction at such place and at such time (which sale may be adjourned by the Trustee from time to time in its discretion by announcement at the time and place fixed for such sale, without further notice) and upon such terms as the Trustee may fix and briefly specify in a notice of sale to be published once in each week for four successive weeks prior to such sale in an Authorized Publication in each Place of Payment for the Bonds of each series; or

(b) proceed to protect and enforce its rights and the rights of the Holders of Bonds under this Indenture by sale pursuant to judicial proceedings or by a suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture or in aid of the execution of any power granted in this Indenture or for the foreclosure of this Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or the Holders of Bonds.

SECTION 10.05. Incidents of Sale.

Upon any sale of any of the Mortgaged Property, whether made under the power of sale hereby given or pursuant to judicial proceedings, to the extent permitted by law:

(a) the principal amount (or, if any of the Bonds are Discount Bonds, such portion of the principal amount of such Bonds as may be specified in the terms thereof as contemplated by Section 3.01) of all Outstanding Bonds, if not previously due, shall at once become and be immediately due and payable, together with premium, if any, and accrued interest, if any, thereon;

(b) any Holder or Holders of Bonds or the Trustee may bid for and purchase the property offered for sale, and upon compliance with the terms of sale may hold, retain and possess and dispose of such property, without further accountability, and may, in paying the purchase money therefor, deliver any Outstanding Bonds or claims for interest thereon in lieu of cash to the

amount which shall, upon distribution of the net proceeds of such sale, be payable thereon, and such Bonds, in case the amounts so payable thereon shall be less than the amount due thereon, shall be returned to the Holders thereof after being appropriately stamped to show partial payment;

(c) the Trustee may make and deliver to the purchaser or purchasers a good and sufficient deed, bill of sale and instrument of assignment and transfer of the property sold;

(d) the Trustee is hereby irrevocably appointed the true and lawful attorney of the Company, in its name and stead, to make all necessary deeds, bills of sale and instruments of assignment and transfer of the property so sold; and for that purpose it may execute all necessary deeds, bills of sale and instruments of assignment and transfer, and may substitute one or more persons, firms or corporations with like power, the Company hereby ratifying and confirming all that its said attorney or such substitute or substitutes shall lawfully do by virtue hereof; but, if so requested by the Trustee or by any purchaser, the Company shall ratify and confirm any such sale or transfer by executing and delivering to the Trustee or to such purchaser or purchasers all proper deeds, bills of sale, instruments of assignment and transfer and releases as may be designated in any such request;

(e) all right, title, interest, claim and demand whatsoever, either at law or in equity or otherwise, of the Company of, in and to the property so sold shall be divested and such sale shall be a perpetual bar both at law and in equity against the Company, its successors and assigns, and against any and all persons claiming or who may claim the property sold or any part thereof from, through or under the Company; and

(f) the receipt of the Trustee or of the officer making such sale shall be a sufficient discharge to the purchaser or purchasers at such sale for his or their purchase money and such purchaser or purchasers and his or their assigns or personal representatives shall not, after paying such purchase money and receiving such receipt, be obliged to see to the application of such purchase money, or be in anywise answerable for any loss, misapplication or non-application thereof.

SECTION 10.06. Collection of Indebtedness and Suits for Enforcement by Trustee.

If an Event of Default described in clause (a) or (b) of Section 10.01 shall have occurred and be continuing, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Bonds with respect to which such Event of Default shall have occurred, the whole amount then due and payable on such Bonds for principal and premium, if any, and interest, if any, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 11.07.

If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Bonds and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Bonds, wherever situated.

The Trustee shall, to the extent permitted by law, be entitled to sue and recover judgment as aforesaid either before, during or after the pendency of any proceedings for the enforcement of the lien of this Indenture, and in case of a sale of the Mortgaged Property or any part thereof and the application of the proceeds of sale as aforesaid, the Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Bonds then Outstanding for principal, premium, if any, and interest, if any, for the benefit of the Holders thereof, and shall be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment by the Trustee and no levy of any execution upon any such judgment upon any of the Mortgaged Property or any other property of the Company shall affect or impair the lien of this Indenture upon the Mortgaged Property or any part thereof or any rights, powers or remedies of the Trustee hereunder, or any rights, powers or remedies of the Holders of the Bonds.

SECTION 10.07. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article, including any rents, issues, profits, revenues and other income collected pursuant to Section 10.03 (after the deductions therein provided) and any proceeds of any sale (after deducting the costs and expenses of such sale, including a reasonable compensation to the Trustee, its agents and counsel, and any taxes, assessments or Liens prior to the lien of this Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale herein granted or pursuant to judicial proceedings, and any money collected by the Trustee under Section 8.06, together with, in the case of an entry or sale or as otherwise provided herein, any other sums then held by the Trustee as part of the Mortgaged Property, shall be applied in the following order, to the extent permitted by law, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, if any, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 11.07;

Second: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal and premium, if any, and interest, if any, in respect of which or for the benefit of which such money has been collected; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, if any, thereon without any preference or priority, ratably according to the aggregate amount so due and unpaid, with any balance then remaining to the payment of premium, if any, and, if so specified as contemplated by Section 3.01 with respect to the Bonds of any series, or any Tranche thereof, interest, if any, on overdue premium, if any, and overdue interest, if any, ratably as aforesaid, all to the extent permitted by applicable law; provided, however, that any money collected by the Trustee pursuant to Section 8.06 in respect of interest or pursuant to Section 10.03 shall first be applied to the payment of interest accrued on the principal of Outstanding Bonds; and

Third: To the payment of the remainder, if any, to the Company or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 10.08. Receiver.

If an Event of Default shall have occurred and, during the continuance thereof, the Trustee shall have commenced judicial proceedings to enforce any right under this Indenture, the Trustee shall, to the extent permitted by law, be entitled, prior to the Release Date, as against the Company, without notice or demand and without regard to the adequacy of the security for the Bonds or the solvency of the Company, to the appointment of a receiver of the Mortgaged Property.

SECTION 10.09. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Bonds or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due to the Trustee under Section 11.07) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amounts due it under Section 11.07.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 10.10. Trustee May Enforce Claims Without Possession of Bonds.

All rights of action and claims under this Indenture or on the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be

brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

SECTION 10.11. Limitation on Suits.

No Holder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder shall have previously given written notice to the Trustee of a continuing Event of Default;

(b) the Holders of at least thirty-three percent (33%) in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceeding; and

(e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the lien of this Indenture or the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 10.12. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Bond shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and (subject to Section 3.07) interest, if any, on such Bond on the Stated Maturity or Maturities expressed in such Bond (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 10.13. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and such Holder shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and such Holder shall continue as though no such proceeding had been instituted.

SECTION 10.14. Rights and Remedies Cumulative.

Except as otherwise provided in the last paragraph of Section 3.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Anything in this Article to the contrary notwithstanding, the availability of the remedies set forth herein (on an individual or cumulative basis) and the procedures set forth herein relating to the exercise thereof shall be subject to (a) the law (including, for purposes of this paragraph, general principles of equity) of any jurisdiction wherein the Mortgaged Property or any part thereof is located to the extent that such law is mandatorily applicable and (b) the rights of any Senior Lienholder and, if and to the extent that any provision of this Article conflicts with any provision of such applicable law and/or with the rights of such Senior Lienholder such provision of law and/or the rights of such holder shall control.

SECTION 10.15. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 10.16. Control by Holders of Bonds.

If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in principal amount of the Bonds then Outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee hereunder; provided, however, that

(a) such direction shall not be in conflict with any rule of law or with this Indenture, and could not involve the Trustee in personal liability in circumstances where indemnity would not, in the Trustee's sole discretion, be adequate, and

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 10.17. Waiver of Past Defaults.

Before any sale of any of the Mortgaged Property and before a judgment or decree for payment of the money due shall have been obtained by the Trustee as in this Article provided, the Holders of not less than a majority in principal amount of the Bonds then Outstanding may on behalf of the Holders of all the Bonds then Outstanding waive any past default hereunder and its consequences, except a default

(a) in the payment of the principal of or premium, if any, or interest, if any, on any Bond Outstanding, or

(b) in respect of a covenant or provision hereof which under Section 14.02 cannot be modified or amended without the consent of the Holder of each Outstanding Bond of any series or Tranche affected.

Upon any such waiver, such default shall cease to exist, and any and all Events of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 10.18. Undertaking for Costs.

The Company and the Trustee agree, and each Holder of Bonds by its acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or premium, if any, or interest, if any, on any Bond on or after the Stated Maturity or Maturities expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

SECTION 10.19. Waiver of Appraisement and Other Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any appraisement, valuation, stay, extension or redemption law, now or hereafter in effect, in order to prevent or hinder the enforcement of this Indenture or the absolute sale of the Mortgaged Property, or any part thereof, or the possession thereof, or any part thereof, by any purchaser at any sale under this Article; and the Company, for itself and all who may claim under it, so far as

it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. The Company, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the Mortgaged Property marshalled upon any foreclosure of the lien hereof, and agrees that any court having jurisdiction to foreclose the lien of this Indenture may order the sale of the Mortgaged Property as an entirety.

In addition, and without limiting the generality of the foregoing, the Company, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, the benefits and protections of Sections 2924, 2924b and 2924c of the California Civil Code and Section 726(a) of the California Code of Civil Procedure, and any amendments thereto or replacements thereof.

ARTICLE XI

THE TRUSTEE

SECTION 11.01. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default,

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or its own bad faith, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds, as provided herein, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 11.02. Notice of Defaults.

Within ninety (90) days after the occurrence of any default hereunder, the Trustee shall transmit by mail to all Holders notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest, if any, on any Bond, or in the payment of any sinking fund installment with respect to a Bond, the Trustee shall be protected in withholding such notice if and so long as the board of directors, executive committee or a trust committee of directors or a Responsible Officer of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders; provided, further, that, in the case of any default of the character specified in Section 10.01(c), no such notice to Holders shall be given until at least sixty (60) days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

The Trustee shall not be deemed to have knowledge of any default specified in Section 10.01(c), 10.01(d) or 10.01(e) hereunder unless and until a Responsible Officer shall have actual knowledge thereof, or shall have received written notice thereof at its Corporate Trust Office. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that no such default has occurred and is continuing under this Indenture. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with Bonds issued hereunder, or as to the existence of a default or Event of Default hereunder.

SECTION 11.03. Certain Rights of Trustee.

Subject to the provisions of Section 11.01 and to the applicable provisions of the Trust Indenture Act:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice,

request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, or as otherwise expressly provided herein, and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence is specifically prescribed herein) may, in the absence of bad faith on its part, conclusively rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any Holder pursuant to this Indenture, unless such Holder shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall (subject to applicable legal requirements) be entitled to examine, during normal business hours, the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be personally liable, in case of entry by it upon the Mortgaged Property, for debts contracted or liabilities or damages incurred in the prudent management or operation of the Mortgaged Property.

SECTION 11.04. Not Responsible for Recitals or Issuance of Bonds or Application of Proceeds.

The recitals contained herein and in the Bonds (except the Trustee's certificate of authentication on the Bonds) shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The

Trustee makes no representations as to the value or condition of the Mortgaged Property or any part thereof, or as to the title of the Company thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Company of the Bonds or the proceeds thereof or of any money paid to the Company or upon Company Order under any provision hereof. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Bonds or the proceeds thereof. Except with respect to the filing and refiling of financing statements and any continuation statements or amendments relating thereto, as may be necessary to perfect or maintain the perfection of the lien hereof on that portion of the Mortgaged Property which constitutes personal property or fixtures, the Trustee shall have no responsibility to make or to see to the making of any recording, filing or registration of any instrument or notice (including any tax or securities form) (or any rerecording, refiling or reregistration of any thereof) at any time in any public office or elsewhere for the purpose of perfecting, maintaining the perfection of or otherwise making effective the lien of this Indenture or for any other purpose and shall have no responsibility for seeing to the insurance on the Mortgaged Property or for paying any taxes relating to the Mortgaged Property or for otherwise maintaining the Mortgaged Property, including, but not limited to, attending to any environmental matters in respect thereof or disposing of any hazardous or other wastes located thereon.

SECTION 11.05. May Hold Bonds.

Each of the Trustee, any Authenticating Agent, any Paying Agent, any Bond Registrar or any other agent of the Company or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds and, subject to Sections 11.08 and 11.13, may otherwise deal with the Company with the same rights it would have if it were not such Trustee, Authenticating Agent, Paying Agent, Bond Registrar or other agent.

SECTION 11.06. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds, except to the extent required by law or as otherwise provided in the Indenture. The Trustee shall be under no liability for interest on or investment of any money received by it hereunder (provided that the Trustee has invested such money in accordance with a Company Order) except as expressly provided herein or otherwise agreed with, and for the sole benefit of, the Company.

SECTION 11.07. Compensation and Reimbursement.

The Company agrees

(a) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and

the expenses and disbursements of its agents and counsel), except to the extent that any such expense, disbursement or advance may be attributable to its negligence, willful misconduct or bad faith; and

(c) to indemnify the Trustee (which for purposes of this Section shall include its officers, directors, employees and agents) and hold it harmless from and against any loss, liability or expense reasonably incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder or the exercise or performance of its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

Prior to the Release Date, as security for the performance of the obligations of the Company under this Section 11.07, the Trustee shall have a lien secured by this Indenture prior to the Bonds upon the Mortgaged Property and upon all other property and funds held or collected by the Trustee as such, other than property and funds held in trust (i) for the payment of principal, premium, if any, and interest on the Bonds or (ii) under Section 9.03 (except moneys payable to the Company as provided in Section 9.03). "Trustee" for purposes of this Section shall include any predecessor Trustee; provided, however, that the negligence, willful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

In addition and without prejudice to the rights provided to the Trustee under any of the provisions of this Indenture, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 10.01(d) or Section 10.01(e), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Indenture and the resignation or removal of the Trustee.

SECTION 11.08. Disqualification; Conflicting Interests.

If the Trustee shall have or acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such conflicting interest or resign to the extent, in the manner and with the effect, and subject to the conditions, provided in the Trust Indenture Act and this Indenture. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Trustee, in its capacity as trustee in respect of the Bonds of any series, shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of the Bonds of any other series.

SECTION 11.09. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be

(i) a corporation organized and doing business under the laws of the United States, any state or territory thereof or the District of Columbia, authorized under such laws

to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000) and subject to supervision or examination by federal or state authority, or

(ii) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000) or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 11.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 11.11.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 11.11 shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Bonds then Outstanding delivered to the Trustee and to the Company.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 11.08 after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 11.09 or Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public

officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company by a Board Resolution may remove the Trustee or (y) subject to Section 10.18, any Holder who has been a bona fide Holder for at least six (6) months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause (other than as contemplated in clause (y) in subsection (d) of this Section), the Company, by a Board Resolution, shall take prompt steps to appoint a successor Trustee or Trustees and shall comply with the applicable requirements of Section 11.11. If, within one (1) year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Bonds then Outstanding delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 11.11, become the successor Trustee and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 11.11, the Holders of at least 10% in aggregate principal amount of the then Outstanding Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) So long as no event which is, or after notice or lapse of time, or both, would become, an Event of Default shall have occurred and be continuing, if the Company shall have delivered to the Trustee (i) a Board Resolution appointing a successor Trustee, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such successor Trustee in accordance with Section 11.11, the Trustee shall be deemed to have resigned as contemplated in subsection (b) of this Section, the successor Trustee shall be deemed to have been appointed pursuant to subsection (e) of this Section and such appointment shall be deemed to have been accepted as contemplated in Section 11.11, all as of such date, and all other provisions of this Section and Section 11.11 shall be applicable to such resignation, appointment and acceptance except to the extent inconsistent with this subsection (f).

(g) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the Bond Register. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 11.11. Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Trustee, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act,

deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee. Such retiring Trustee shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien provided for in Section 11.07.

(b) Upon request of any such successor Trustee, the Company shall execute any instruments which fully vest in and confirm to such successor Trustee all rights, powers and trusts referred to in subsection (a) of this Section.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 11.12. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

SECTION 11.13. Preferential Collection of Claims Against Company.

If the Trustee shall be or become a creditor of the Company or any other obligor upon the Bonds (other than by reason of a relationship described in Section 311(b) of the Trust Indenture Act), the Trustee shall be subject to any and all applicable provisions of the Trust Indenture Act regarding the collection of claims against the Company or such other obligor.

SECTION 11.14. Co-Trustees and Separate Trustees.

At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Mortgaged Property may at the time be located, the Company and the Trustee shall have power to appoint, and, upon the written request of the Trustee or of the Holders of at least thirty-three percent (33%) in principal amount of the Bonds then Outstanding, the Company shall for such purpose join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee and, if no Event of Default shall have occurred and be continuing, by the Company either to act as co-trustee, jointly with the Trustee, of all or any part of the Mortgaged Property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons, in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Company does not join in such appointment within fifteen (15) days after the receipt by it of a request so to do, or if an Event of

Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument or instruments from the Company be required by any co-trustee or separate trustee so appointed to more fully confirm to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following conditions:

(i) the Bonds shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely, by the Trustee;

(ii) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed either by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee;

(iii) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Company, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, if an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(iv) neither the Trustee nor any co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(v) any Act of Holders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 11.15. Appointment of Authenticating Agent.

The Trustee may appoint an Authenticating Agent or Agents with respect to the Bonds of one or more series, or any Tranche thereof, which shall be authorized to act on behalf of the Trustee to authenticate Bonds of such series or Tranche issued upon original issuance, exchange, registration of transfer or partial redemption thereof or pursuant to Section 3.06, and Bonds so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory

for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Bonds by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States, any state or territory thereof or the District of Columbia or the Commonwealth of Puerto Rico, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than Fifty Million Dollars ($50,000,000) and subject to supervision or examination by federal or state authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

The provisions of Sections 3.08, 11.04 and 11.05 shall be applicable to each Authenticating Agent.

If an appointment with respect to the Bonds of one or more series, or any Tranche thereof, shall be made pursuant to this Section, the Bonds of such series or Tranche may have

endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Bonds of the series designated therein referred to in the within-mentioned Indenture.

_____, as Trustee

By _____
As Authenticating Agent

By _____
Authorized Officer

If all of the Bonds of a series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Bonds upon original issuance located in a Place of Payment where the Company wishes to have Bonds of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 1.04 and need not be accompanied by an Opinion of Counsel), shall appoint, in accordance with this Section and in accordance with such procedures as shall be acceptable to the Trustee, an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Bonds.

ARTICLE XII

LISTS OF HOLDERS; REPORTS BY TRUSTEE AND COMPANY

SECTION 12.01. Lists of Holders.

Semiannually, not less than 45 days nor more than 60 days after June 1 and December 1 in each year, commencing 2004, and at such other times as the Trustee may request in writing, the Company shall furnish or cause to be furnished to the Trustee, information as to the names and addresses of the Holders as of a date no more than fifteen (15) days prior to the date such information is so furnished, and the Trustee shall preserve such information and similar information received by it in any other capacity and afford to the Holders access to information so preserved by it, all to such extent, if any, and in such manner as shall be required by the Trust Indenture Act; provided, however, that no such list need be furnished so long as the Trustee shall be the Bond Registrar.

SECTION 12.02. Reports by Trustee and Company.

Not later than July 15 in each year, commencing July 15, 2005, the Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Bonds are listed a report, dated as of the next preceding May 15, with respect to any events and other matters

described in Section 313(a) of the Trust Indenture Act, in such manner and to the extent required by the Trust Indenture Act. The Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Bonds are listed, and the Company shall file with the Trustee (within thirty (30) days after filing with the Commission in the case of reports which pursuant to the Trust Indenture Act must be filed with the Commission and furnished to the Trustee) and cause to be transmitted to the Holders, such other information, reports and other documents, if any, at such times and in such manner, as shall be required by the Trust Indenture Act. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates). The Company shall notify the Trustee of the listing of any Bonds on any securities exchange.

ARTICLE XIII

CONSOLIDATION, MERGER, CONVEYANCE OR OTHER TRANSFER

SECTION 13.01. Company May Consolidate, etc., Only on Certain Terms.

The Company shall not consolidate with or merge with or into any other Person, or convey, or otherwise transfer, or lease, subject to the lien of this Indenture, all or substantially all of the Mortgaged Property to any Person, unless:

(a) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or other transfer, or which leases, all or substantially all of the Mortgaged Property shall be a corporation, shall be organized and existing under the laws of the United States, any state thereof or the District of Columbia (such corporation being hereinafter sometimes called the "Successor Corporation") and shall execute and deliver to the Trustee an indenture supplemental hereto, in form recordable and reasonably satisfactory to the Trustee, which:

(i) in the case of a consolidation, merger, conveyance or other transfer, or in the case of a lease if the term thereof extends beyond the last Stated Maturity of the Bonds then Outstanding, contains an assumption by the Successor Corporation of the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Bonds then Outstanding and the performance and observance of every covenant and condition of this Indenture to be performed or observed by the Company, and

(ii) if prior to the Release Date, contains a grant, conveyance, transfer and mortgage by the Successor Corporation, of the same tenor of the Granting Clauses herein,

(A) confirming the lien of this Indenture on the Mortgaged Property (as constituted immediately prior to the time such transaction became effective) and subjecting to the lien of this Indenture all property (other than Excepted Property), real, personal and mixed, thereafter acquired by the Successor Corporation which shall constitute an improvement, extension or addition to the Mortgaged Property (as so

constituted) or a renewal, replacement or substitution of or for any part thereof, and, at the election of the Successor Corporation,

(B) subjecting to the lien of this Indenture such property, real, personal or mixed, in addition to the property described in subclause (A) above, then owned or thereafter acquired by the Successor Corporation as the Successor Corporation shall, in its sole discretion, specify or describe therein, and the lien confirmed or created by such grant, conveyance, transfer and mortgage shall have force, effect and standing similar to those which the lien of this Indenture would have had if the Company had not been a party to such consolidation, merger, conveyance or other transfer and had itself, after the time such transaction became effective, purchased, constructed or otherwise acquired the property subject to such grant, conveyance, transfer and mortgage;

(b) in the case of a lease, such lease shall be made expressly subject to termination by the Company or by the Trustee at any time during the continuance of an Event of Default, and also by the purchaser of the property so leased at any sale thereof hereunder, whether such sale be made under the power of sale hereby conferred or pursuant to judicial proceedings; and

(c) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company as a result of such transaction as having been incurred by the Company at the time of such transaction, no Default or Event of Default shall have occurred and be continuing; and

(d) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that the merger, consolidation, conveyance, lease or transfer, as the case may be, fully complies with all provisions of this Indenture; provided, however, that the delivery of such an Officer's Certificate and Opinion of Counsel shall not be required with respect to any merger, consolidation, conveyance, transfer or lease between the Company and any of its wholly-owned Subsidiaries.

Notwithstanding the foregoing, the Company may merge or consolidate with or transfer all or substantially all of its assets to an Affiliate that has no significant assets or liabilities and was formed solely for the purpose of changing the jurisdiction of organization of the Company or the form of organization of the Company or for the purpose of forming a holding company; provided that the amount of indebtedness of the Company is not increased thereby; and provided, further that the successor assumes all obligations of the Company under this Indenture.

As used in this Article and in Section 8.10(d), the terms "improvement", "extension" and "addition" shall be limited to (a) with respect to real property subject to the lien of this Indenture, any item of personal property which has been so affixed or attached to such real property as to be regarded a part of such real property under applicable law and (b) with respect to personal property subject to the lien of this Indenture, any improvement, extension or addition to such personal property which (i) is made to maintain, renew, repair or improve the function of such personal property and (ii) is physically installed in or affixed to such personal property.

From and after the Release Date, the term Mortgaged Property wherever used in this Section 13.01 shall mean Principal Property.

SECTION 13.02. Successor Corporation Substituted.

Upon any consolidation or merger or any conveyance or other transfer, subject to the Lien of this Indenture, of all or substantially all of the Mortgaged Property in accordance with Section 13.01, the Successor Corporation shall succeed to, and be substituted for, and may exercise every power and right of, the Company under this Indenture with the same effect as if such Successor Corporation had been named as the "Company" herein. Without limiting the generality of the foregoing:

(a) all property of the Successor Corporation then subject to the lien of this Indenture, of the character described in Section 1.03, shall constitute Property Additions;

(b) the Successor Corporation may execute and deliver to the Trustee, and thereupon the Trustee shall, subject to the provisions of Article V, authenticate and deliver, Bonds upon any basis provided in Article V; and

(c) the Successor Corporation may, subject to the applicable provisions of this Indenture, cause Property Additions to be applied to any other Authorized Purpose.

All Bonds so executed by the Successor Corporation, and authenticated and delivered by the Trustee, shall in all respects be entitled to the benefit of the lien of this Indenture equally and ratably with all Bonds executed, authenticated and delivered prior to the time such consolidation, merger, conveyance or other transfer became effective.

In case of any such consolidation, merger, sale, conveyance or lease, changes in phraseology and form may be made in the Bonds thereafter to be issued and the documentation thereafter to be delivered hereunder as may be appropriate to reflect such occurrence.

From and after the Release Date, the term Mortgaged Property in this Section 13.02 shall mean Principal Property.

SECTION 13.03. Extent of Lien Hereof on Property of Successor Corporation.

Unless, in the case of a consolidation, merger, conveyance or other transfer contemplated by Section 13.01, the indenture supplemental hereto contemplated in clause (b)(ii) in Section 13.01, or any other indenture, contains a grant, conveyance, transfer and mortgage by the Successor Corporation as described in subclause (B) thereof, neither this Indenture nor such supplemental indenture shall become or be, or be required to become or be, a Lien upon any of the properties:

(a) owned by the Successor Corporation or any other party to such transaction (other than the Company) immediately prior to the time of effectiveness of such transaction or

(b) acquired by the Successor Corporation at or after the time of effectiveness of such transaction,

except, in either case, Mortgaged Property acquired from the Company in or as a result of such transaction and, to the extent not constituting Excepted Property, improvements, extensions and

additions to such properties and renewals, replacements and substitutions of or for any part or parts thereof.

SECTION 13.04. Release of Company Upon Conveyance or Other Transfer.

In the case of a conveyance or other transfer to any Person or Persons as contemplated in Section 13.01, upon the satisfaction of all the conditions specified in Section 13.01, the Company (such term being used in this Section without giving effect to such transaction) shall be released and discharged from all obligations and covenants under this Indenture and on and under all Bonds then Outstanding (unless the Company shall have delivered to the Trustee an instrument in which it shall waive such release and discharge) and the Trustee shall acknowledge in writing that the Company has been so released and discharged.

SECTION 13.05. Merger Into Company; Extent of Lien Hereof.

(a) Nothing in this Indenture shall be deemed to prevent or restrict any consolidation or merger after the consummation of which the Company would be the surviving or resulting company or any conveyance or other transfer, or lease, subject to the lien of this Indenture (unless otherwise expressly provided herein), of any part of the Mortgaged Property which does not constitute the entirety, or substantially the entirety, thereof.

(b) Unless, in the case of a consolidation or merger described in subsection (a) of this Section, an indenture supplemental hereto shall otherwise provide, this Indenture shall not become or be, or be required to become or be, a Lien upon any of the properties acquired by the Company in or as a result of such transaction or any improvements, extensions or additions to such properties or any renewals, replacements or substitutions of or for any part or parts thereof.

From and after the Release Date, the term Mortgaged Property in this Section 13.05 shall mean Principal Property.

ARTICLE XIV

SUPPLEMENTAL INDENTURES

SECTION 14.01. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Bonds, all as provided in Article XIII; or

(b) to add one or more covenants of the Company or other provisions for the benefit of all Holders or for the benefit of the Holders of, or to remain in effect only so long as there shall be Outstanding, Bonds of one or more specified series, or one or more specified Tranches thereof; or to surrender any right or power herein conferred upon the Company; or

(c) to correct or amplify the description of any property at any time subject to the lien of this Indenture; or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture; or to subject to the lien of this Indenture additional property (including property of Persons other than the Company); or

(d) to specify any additional Permitted Liens with respect to such additional property and to modify Section 8.02 in order to specify therein any additional items with respect to such additional property; or

(e) to change or eliminate any provision of this Indenture or to add any new provision to this Indenture; provided, however, that if such change, elimination or addition shall adversely affect the interests of the Holders of Bonds of any series or Tranche in any material respect, such change, elimination or addition shall become effective with respect to such series or Tranche only when no Bond of such series or Tranche remains Outstanding; or

(f) to establish the form or terms of Bonds of any series or Tranche as contemplated by Sections 2.01 and 3.01; or

(g) to evidence and provide for the acceptance of appointment hereunder by a separate or successor Trustee with respect to the Bonds of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 11.11(b); or

(h) to provide for the procedures required to permit the Company to issue, at its option, all or any series or Tranche of, the Bonds as uncertificated securities; or

(i) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of Bonds, or any Tranche thereof, shall be payable, (2) all or any series of Bonds, or any Tranche thereof, may be surrendered for registration of transfer, (3) all or any series of Bonds, or any Tranche thereof, may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of Bonds, or any Tranche thereof, and this Indenture may be served; or

(j) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein; or to make any other additions to, deletions from or other changes to the provisions under this Indenture, provided that such additions, deletions and/or other changes shall not materially adversely affect the interests of the Holders of Bonds of any series or Tranche in any material respect; or

(k) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act, or under any similar federal statute hereafter enacted, and to add to this Indenture such other provisions as may be expressly permitted by the Trust Indenture Act, excluding, however the provisions referred to in Section 316(a)(2) of the Trust Indenture Act as in effect at the date as of which this instrument was executed or any corresponding provision in any similar federal statute hereafter enacted; or

(l) in connection with the occurrence of the Release Date under Section 8.12, to amend (including amend and restate) this Indenture to eliminate any provisions related to Liens (other than Section 7.11), the lien of this Indenture or the Mortgaged Property, including Articles V and VIII; or

(m)to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the discharge of any series of Bonds pursuant to Section 9.02; provided that any such action shall not adversely affect the interests of the Holders of Bonds of such series or any other series of Bonds in any material respect; or

(n) to comply with the rules or regulations of any securities exchange or automated quotation system on which any of the Bonds may be listed or traded.

Without limiting the generality of the foregoing, if the Trust Indenture Act as in effect at the Execution Date, or at any time thereafter shall be amended and

(x) if any such amendment shall require one or more changes to any provisions hereof or the inclusion herein of any additional provisions, or shall by operation of law be deemed to effect such changes or incorporate such provisions by reference or otherwise, this Indenture shall be deemed to have been amended so as to conform to such amendment to the Trust Indenture Act, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to evidence such amendment hereof; or

(y) if any such amendment shall permit one or more changes to, or the elimination of, any provisions hereof which, at the date of the execution and delivery hereof or at any time thereafter, are required by the Trust Indenture Act to be contained herein or are contained herein to reflect any provisions of the Trust Indenture Act as in effect at such date, this Indenture shall be deemed to have been amended to effect such changes or elimination, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to amend this Indenture to effect such changes or elimination.

SECTION 14.02. Supplemental Indentures With Consent of Holders.

Subject to the provisions of Section 14.01, with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds of all series then Outstanding under this Indenture, considered as one class, by Act of said Holders delivered to the Company and the Trustee, the Company and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture; provided, however, that if there shall be Bonds of more than one series Outstanding hereunder and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or

more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Bond of each series or Tranche so directly affected:

(a) except as otherwise specified in the form or terms of the Bonds of any series as permitted by Sections 2.01 and 3.01 with respect to extending the Stated Maturity of any Bond of such series, change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Bond, or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable thereon, or reduce the amount of the principal of any Discount Bond that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 10.02, or change the coin or currency (or other property), in which any Bond or premium, if any, or interest, if any, thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Maturity of any Bond, without, in any such case, the consent of the Holder of such Bond; or

(b) prior to the Release Date, permit the creation of any Lien (not otherwise permitted hereby) ranking prior to the lien of this Indenture with respect to all or substantially all of the Mortgaged Property, or (except as expressly permitted hereunder including pursuant to Section 8.12) terminate the lien of this Indenture on all or substantially all of the Mortgaged Property or deprive the Holders of the benefit of the lien of this Indenture; or

(c) reduce the percentage in principal amount of the Outstanding Bonds of any series, or any Tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of this Indenture or of any default hereunder and its consequences, or reduce the requirements of Section 15.04 for quorum or voting; or

(d) modify any of the provisions of this Section, Section 7.09 or Section 10.17 with respect to the Bonds of any series or any Tranche thereof (except to increase the percentages in principal amount referred to in this Section or such other Sections or to provide that other provisions of this Indenture cannot be modified or waived without the consent of the Holders of all Bonds of such series or Tranche) without, in any such case, the consent of the Holder of each Outstanding Bond of such series or Tranche; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Section 14.01(g).

A supplemental indenture which (x) changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of the Holders of, or which is to remain in effect only so long as there shall be Outstanding, Bonds of one or more specified series, or one or more Tranches thereof, or (y) modifies the rights of the Holders of Bonds of such series or Tranches with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Bonds of any other series or Tranche.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Anything in this Indenture to the contrary notwithstanding, if the Officer's Certificate, supplemental indenture or Board Resolution, as the case may be, establishing the Bonds of any series or Tranche shall provide that the Company may make certain specified additions, changes or eliminations to or from the Indenture which shall be specified in such Officer's Certificate, supplemental indenture or Board Resolution establishing such series or Tranche, (a) the Holders of Bonds of such series or Tranche shall be deemed to have consented to a supplemental indenture containing such additions, changes or eliminations to or from the Indenture which shall be specified in such Officer's Certificate, supplemental indenture or Board Resolution establishing such series or Tranche, (b) no Act of such Holders shall be required to evidence such consent and (c) such consent may be counted in the determination of whether or not the Holders of the requisite principal amount of Bonds shall have consented to such supplemental indenture.

SECTION 14.03. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 11.01) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 14.04. Effect of Supplemental Indentures.

Upon the execution and delivery of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. Any supplemental indenture permitted by this Article may restate this Indenture in its entirety, and, upon the execution and delivery thereof, any such restatement shall supersede this Indenture as theretofore in effect for all purposes.

SECTION 14.05. Conformity With Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 14.06. Reference in Bonds to Supplemental Indentures.

Bonds of any series, or any Tranche thereof, authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Bonds of any series, or any

Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Bonds of such series or Tranche.

SECTION 14.07. Modification Without Supplemental Indenture.

To the extent, if any, that the terms of any particular series of Bonds shall have been established in or pursuant to a Board Resolution or an Officer's Certificate pursuant to a supplemental indenture or a Board Resolution as contemplated by Section 3.01, and not in a supplemental indenture, additions to, changes in or the elimination of any of such terms may be effected by means of a supplemental Board Resolution or a supplemental Officer's Certificate, as the case may be, delivered to, and accepted by, the Trustee; provided, however, that such supplemental Board Resolution or supplemental Officer's Certificate shall not be accepted by the Trustee or otherwise be effective unless all conditions set forth in this Indenture which would be required to be satisfied if such additions, changes or elimination were contained in a supplemental indenture shall have been appropriately satisfied. Upon the acceptance thereof by the Trustee, any such supplemental Board Resolution or supplemental Officer's Certificate shall be deemed to be a "supplemental indenture" for purposes of Section 14.04 and 14.06 and a "supplemental indenture", "indenture supplemental" to this Indenture or "instrument" supplemental to this Indenture for purposes of Section 7.08.

ARTICLE XV

MEETINGS OF HOLDERS; ACTION WITHOUT MEETING

SECTION 15.01. Purposes for Which Meetings May Be Called.

A meeting of Holders of Bonds of one or more, or all, series, or any Tranche or Tranches thereof, may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Bonds of such series or Tranches.

SECTION 15.02. Call, Notice and Place of Meetings.

(a) The Trustee may at any time call a meeting of Holders of Bonds of one or more, or all, series, or any Tranche or Tranches thereof, for any purpose specified in Section 15.01, to be held at such time and (except as provided in subsection (b) of this Section) at such place as the Trustee shall determine with the approval of the Company. Notice of every such meeting, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 1.08, not less than twenty-one (21) nor more than one hundred eighty (180) days prior to the date fixed for the meeting.

(b) The Trustee may be asked to call a meeting of the Holders of Bonds of one or more, or all, series, or any Tranche or Tranches thereof, by the Company or by the Holders of at least twenty-five percent (25%) in aggregate principal amount of all of such series and Tranches,

considered as one class, for any purpose specified in Section 15.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting. If the Trustee shall have been asked by the Company to call such a meeting, the Company shall determine the time and place for such meeting and may call such meeting by giving notice thereof in the manner provided in subsection (a) of this Section, or shall direct the Trustee, in the name and at the expense of the Company, to give such notice. If the Trustee shall have been asked to call such a meeting by Holders in accordance with this subsection (b), and the Trustee shall not have given the notice of such meeting within twenty-one (21) days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Holders of Bonds of such series and Tranches, in the principal amount above specified, may determine the time and the place for such meeting, such place to be approved by the Company, and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

(c) Any meeting of Holders of Bonds of one or more, or all, series, or any Tranche or Tranches thereof, shall be valid without notice if the Holders of all Outstanding Bonds of such series or Tranches are present in person or by proxy and if representatives of the Company and the Trustee are present, or if notice is waived in writing before or after the meeting by the Holders of all Outstanding Bonds of such series, or any Tranche or Tranches thereof, or by such of them as are not present at the meeting in person or by proxy, and by the Company and the Trustee.

SECTION 15.03. Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Bonds of one or more, or all, series, or any Tranche or Tranches thereof, a Person shall be (a) a Holder of one or more Outstanding Bonds of such series or Tranches or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Bonds of such series or Tranches by such Holder or Holders. The only Persons who shall be entitled to attend any meeting of Holders of Bonds of any series or Tranche shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 15.04. Quorum; Action.

The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Bonds of the series and Tranches with respect to which a meeting shall have been called as hereinbefore provided, considered as one class, shall constitute a quorum for a meeting of Holders of Bonds of such series and Tranches; provided, however, that if any action is to be taken at such meeting which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Bonds of such series and Tranches, considered as one class, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Bonds of such series and Tranches, considered as one class, shall constitute a quorum. In the absence of a quorum within one hour of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Bonds of such series and Tranches, be dissolved. In any other case the meeting may be adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such

adjourned meeting may be further adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Except as provided by Section 15.05(e), notice of the reconvening of any meeting adjourned for more than thirty (30) days shall be given as provided in Section 1.08 not less than ten (10) days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Bonds of such series and Tranches which shall constitute a quorum.

Except as limited by Section 14.02, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds of the series and Tranches with respect to which such meeting shall have been called, considered as one class; provided, however, that, except as so limited, any resolution with respect to any action which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Bonds of such series and Tranches, considered as one class, may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Bonds of such series and Tranches, considered as one class.

Any resolution passed or decision taken at any meeting of Holders of Bonds duly held in accordance with this Section shall be binding on all the Holders of Bonds of the series and Tranches with respect to which such meeting shall have been held, whether or not present or represented at the meeting.

SECTION 15.05. Attendance at Meetings; Determination of Voting Rights; Conduct and Adjournment of Meetings.

(a) Attendance at meetings of Holders of Bonds may be in person or by proxy; and, to the extent permitted by law, any such proxy shall remain in effect and be binding upon any future Holder of the Bonds with respect to which it was given unless and until specifically revoked by the Holder or future Holder (except as provided in Section 1.06(g)) of such Bonds before being voted.

(b) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Bonds in regard to proof of the holding of such Bonds and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations and approved by the Company, the holding of Bonds shall be proved in the manner specified in Section 1.06 and the appointment of any proxy shall be proved in the manner specified in Section 1.06. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 1.06 or other proof.

(c) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 15.02(b), in which case the Company or the Holders of Bonds of the series and Tranches calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Bonds of all series and Tranches represented at the meeting, considered as one class.

(d) At any meeting each Holder or proxy shall be entitled to one vote for each One Thousand Dollars ($1,000) principal amount of Outstanding Bonds held or represented by such Holder; provided, however, that no vote shall be cast or counted at any meeting in respect of any Bond challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Bond or proxy.

(e) Any meeting duly called pursuant to Section 15.02 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Bonds of all series and Tranches represented at the meeting, considered as one class; and the meeting may be held as so adjourned without further notice.

SECTION 15.06. Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Bonds, of the series and Tranches with respect to which the meeting shall have been called, held or represented by them. The permanent chairman of the meeting shall appoint two (2) inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to such record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that such notice was given as provided in Section 15.02 and, if applicable, Section 15.04. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 15.07. Action Without Meeting.

In lieu of a vote of Holders at a meeting as hereinbefore contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action may be made, given or taken by Holders by one or more written instruments as provided in Section 1.06.

ARTICLE XVI

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 16.01. Liability Solely Corporate.

No recourse shall be had for the payment of the principal of or premium, if any, or interest, if any, on any Bonds, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under this Indenture, against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Indenture and all the Bonds are solely corporate obligations and that no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, member, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or indirectly through the Company or any predecessor or successor corporation, because of the indebtedness hereby authorized or under or by reason of any of the obligations, covenants or agreements contained in this Indenture or in any of the Bonds or to be implied herefrom or therefrom; and such personal liability, if any, is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution and delivery of this Indenture and the issuance of the Bonds.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

PACIFIC GAS AND ELECTRIC COMPANY,
as Issuer (Mortgagor)

By: _____
Name: Kent M. Harvey
Title: Senior Vice President,
Chief Financial Officer and Treasurer

BNY WESTERN TRUST COMPANY,
as Trustee (Mortgagee)

By: _____
Name: Josephine Libunao
Vice President

SCHEDULE 1

FORM OF EXPERT'S CERTIFICATE UNDER SECTION 5.02

EXPERT'S CERTIFICATE AS TO PROPERTY ADDITIONS

This Expert's Certificate as to Property Additions ("Certificate") is being executed and delivered by **[Name of Expert]**, as **[Position or Title of Expert]**, and by **[Name of Authorized Officer]**, as **[Title of Authorized Officer]** of Pacific Gas and Electric Company (the "Company"), in connection with the proposed issuance of **[Description of Proposed Bond Issue]** in the aggregate principal amount of $_____ (the "New Bonds") under Section 5.02 of that certain Indenture of Mortgage, dated as of _____, 200__, by and between the Company and _____, as trustee (the "Indenture"). All capitalized terms used herein, unless otherwise defined herein, shall have the respective meanings assigned to such terms in the Indenture.

The undersigned hereby certify as to each of the following items in accordance with and as required pursuant to Section 5.02(b)(ii) of the Indenture:

1. The Property Additions designated by the Company to be made the basis for the authentication and delivery of the New Bonds are described as follows (the "Designated Property Additions"):

   [Describe Property Additions]

2. All Designated Property Additions constitute Property Additions and are not subject to any Lien thereon prior to the lien of the Indenture except Permitted Liens.

3. The Cost of the Designated Property Additions is $_____.

4. **[The Designated Property Additions are subject to a Senior Lien securing Senior Lien Obligations. The outstanding principal amount of Purchase Money Liens which constitute Senior Lien Obligations is $_____ as of the date of this Certificate. The outstanding principal amount of all other Senior Lien Obligations is $_____ as of the date of this Certificate.]**

5. The Net Cost of the Designated Property Additions is $_____.

6. All Designated Property Additions are desirable for use in the conduct of the business, or one of the businesses, of the Company.

7. All Designated Property Additions, to the extent of the Property Additions Basis thereof which is to be made the basis of the authentication and delivery of the New Bonds, constitute, prior to the issuance of the New Bonds, Unfunded Property.

8. **[No portion of the Designated Property Additions was acquired, made or constructed through the delivery of securities or property other than cash; the**

amount of cash forming all or part of the Cost thereof was equal to or more than $_____.] OR [A portion or all of the Designated Property Additions was acquired, made or constructed through the delivery of securities or property other than cash (such portion being referred to herein as the "Non-Cash Designated Property Additions"). The amount of cash forming all or part of the Cost of Designated Property Additions other than Non-Cash Designated Property Additions was equal to or more than $_____. With respect to Non-Cash Designated Property Additions, the following is a brief description of the Non-Cash Designated Property Additions, the securities or other property delivered in payment for the acquisition or construction thereof, the date of such delivery and, in the judgment of the undersigned, the fair market value in cash of such securities or other property at the time of delivery thereof:

Non-Cash Designated Property Additions	Securities or Property Delivered:	Date of Delivery:	Fair Market Value:]

9. **[No portion of the Designated Property Additions includes property which constitutes an Acquired Facility.] OR [A portion of the Designated Property Additions includes property which constitutes an Acquired Facility and is described as follows (the "Acquired Facility Portion"): [Describe the Acquired Facility Portion]. In the judgment of the undersigned, the Fair Value to the Company of the Acquired Facility Portion as of the date of this Certificate [is/is not] a De Minimis Amount.]**

10. In the judgment of the undersigned, the Fair Value to the Company, as of the date of this Certificate, of the Designated Property Additions (except that portion of the Designated Property Additions with respect to the Fair Value to the Company of which a statement is being made in an Independent Expert's Certificate) is $_____.

11. The Net Fair Value to the Company, as of the date of this Certificate, of the Designated Property Additions is $_____.

12. The aggregate amount which shall be deducted under Section 1.03(b)(i) in respect of Funded Property Retired is equal to $_____ and the aggregate amount which the Company has elected to be added under Section 1.03(b)(ii) in respect of Funded Property Retired is $_____ (which amount to be added does not exceed the amount to be deducted above). Attached hereto as Annex 1 are the calculations which have been made by the Company pursuant to Section 1.03(b)(i) and (ii).

13. The Adjusted Property Additions Basis of the Designated Property Additions is $_____.

14. Sixty-six and two-thirds percent ($66^2/_3\%$) of the Adjusted Property Additions Basis stated in Item 13 above is equal to $_____.

15. The aggregate principal amount of New Bonds to be authenticated and delivered on the basis of the Designated Property Additions is equal to $_____ which amount does not exceed the amount stated in Item 14 above.

[Name of Expert] hereby further certifies as follows:

(a) I have read Section 5.02(b)(ii) of the Indenture and the related definitions of defined terms appearing in said Section 5.02(b)(ii).

(b) The statements or opinions I have expressed herein are based upon my examination/investigation of **[List or describe the nature and scope of the examination or investigation upon which the statements or opinions are based];**

(c) In my opinion, I have made such examination or investigation as is necessary to enable me to express an informed opinion as to whether or not the Company has complied with the requirements of Section 5.02(b)(ii) of the Indenture.

(d) In my opinion, the Company has complied with the requirements of Section 5.02(b)(ii) of the Indenture.

Witness our hands this _____ day of _____, 2___.

[Signature of Expert]

_____
Name:
Title:

[Signature of Authorized Officer]

_____
Name:
Title:

ANNEX 1

CALCULATIONS PURSUANT TO SECTION 1.03(B)

A. Deductions under Section 1.03(b)(i):

Funded Property Basis of all Funded Property Retired as described under Section 1.03(b)(i) of the Indenture: $_____

B. Additions under Section 1.03(b)(ii):

(1) Principal amount of Purchase Money Obligations described under Section 1.03(b)(ii)(A) of the Indenture: $_____

(2) 150% of amount of cash described under Section 1.03(b)(ii)(B) of the Indenture: $_____

(3) 150% of the principal amount of any Bond or Bonds or portion of such principal amount described under Section 1.03(b)(ii)(C) of the Indenture: $_____

(4) Adjusted Funded Property Basis of Property Additions described under Section 1.03(b)(ii)(D) of the Indenture: $_____

(5) Cost to the Company of any Property Additions described under Section 1.03(b)(ii)(E) of the Indenture: $_____

C. Total of all amounts under Item B. above: $_____

D. If amount in Item C. above is equal to or greater than the amount in Item A. above, then the net adjustment to be made to the Property Additions Basis under Section 1.03(b) shall be equal to zero (0). If the amount in Item C. above is less than the amount in Item A. above, then the net adjustment to be made to the Property Additions Basis under Section 1.03(b) shall be a reduction in an amount equal to the difference between the amount in Item A. above and the amount in Item C. above.

SCHEDULE 2

FORM OF EXPERT'S CERTIFICATE UNDER SECTION 8.03(c)

EXPERT'S CERTIFICATE AS TO RELEASE OF FUNDED PROPERTY

This Expert's Certificate as to Release of Funded Property ("Certificate") is being executed and delivered by **[Name of Expert]**, as **[Position or Title of Expert]**, and by **[Name of Authorized Officer]**, as **[Title of Authorized Officer]** of Pacific Gas and Electric Company (the "Company"), in connection with certain Funded Property described below to be released pursuant to Section 8.03 of that certain Indenture of Mortgage, dated as of _____, 200__, by and between the Company and _____, as trustee (the "Indenture"). All capitalized terms used herein, unless otherwise defined herein, shall have the respective meanings assigned to such terms in the Indenture.

The undersigned hereby certify as to each of the following items in accordance with and as required pursuant to Section 8.03(c) of the Indenture:

1. The Funded Property to be released from the lien of the Indenture is described as follows (the "Release Property"):

   [Describe Funded Property]

2. The Fair Value, in the judgment of the undersigned, of the Release Property, together with the Fair Value, in the judgment of the undersigned, of Unfunded Property, if any, being released concurrently with the Release Property is $_____.

3. The Funded Property Basis of the Release Property is $_____.

4. In the judgment of the undersigned, the release of the Release Property will not impair the security under the Indenture in contravention of the provisions thereof.

   [Name of Expert] hereby further certifies as follows:

   a. I have read Section 8.03(c) of the Indenture and the related definitions of defined terms appearing in said Section 8.03(c).

   b. The statements or opinions I have expressed herein are based upon my examination/investigation of **[List or describe the nature and scope of the examination or investigation upon which the statements or opinions are based]**.

   c. In my opinion, I have made such examination or investigation as is necessary to enable me to express an informed opinion as to whether or not the Company has complied with the requirements of Section 8.03(c) of the Indenture.

   d. In my opinion, the Company has complied with the requirements of Section 8.03(c) of the Indenture.

Witness our hands this _____ day of _____, 2___:

[Signature of Expert]

_____

Name:
Title:

[Signature of Authorized Officer]

_____

Name:
Title:

SCHEDULE 3

FORM OF OFFICER'S CERTIFICATE UNDER SECTION 8.03(d)

OFFICER'S CERTIFICATE PURSUANT TO SECTION 8.03(d)

This Officer's Certificate Pursuant to Section 8.03(d) ("Certificate") is being executed and delivered by **[Name of Authorized Officer]**, as **[Title of Authorized Officer]** of Pacific Gas and Electric Company (the "Company"), in connection with the release of certain Funded Property described in that certain Expert's Certificate as to Release of Funded Property dated **[the date hereof]** (the "Expert's Certificate") pursuant to Section 8.03 of that certain Indenture of Mortgage, dated as of _____, 200__, by and between the Company and _____, as trustee (the "Indenture"). All capitalized terms used herein, unless otherwise defined herein, shall have the respective meanings assigned to such terms in the Indenture.

The undersigned hereby certifies, as required pursuant to Section 8.03(d) of the Indenture, as follows:

1. The amount of the Funded Property Basis of the Release Property is $_____, as shown in the Expert's Certificate.

2. The taxes and expenses incidental to the sale, exchange, dedication or other disposition of Release Property total $_____.

3. The aggregate amount of the Cash Deposit Credit Items to be used as the basis for the release of the Release Property is $_____, which amount has been calculated as follows:

   A. $_____: Aggregate principal amount of Purchase Money Obligations delivered to Trustee and secured by Purchase Money Liens upon the Release Property;

   B. $_____; **[Adjusted Property Additions Basis/Property Additions Basis]** of Property Additions which constitute Unfunded Property described in the attached Expert's Certificate as to Property Additions **[If applicable, attach Expert's Certificate based on the form attached as Schedule 1 to the Indenture]**;

   C. $_____; 150% of aggregate principal amount of Bonds the right to the authentication and delivery of which, under Section 5.03, has been waived by the Company;

   D. $_____; 150% of the aggregate amount of Outstanding Bonds delivered to the Trustee.

4. The Cash Deposit Amount to be delivered to the Trustee is $_____, which amount is equal to the Funded Property Basis stated in Item 1, less the amount stated in Item 2, and less the aggregate amount of the Cash Deposit Credit Items stated in Item 3.

Witness my hand this _____ day of _____, 2___.

[Signature of Authorized Officer]

_____

Name:
Title:

SCHEDULE 4

FORM OF EXPERT'S CERTIFICATE UNDER SECTION 8.04

EXPERT'S CERTIFICATE AS TO RELEASE OF UNFUNDED PROPERTY

This Expert's Certificate as to Release of Unfunded Property ("Certificate") is being executed and delivered by **[Name of Expert]**, as **[Position or Title of Expert]**, and by **[Name of Authorized Officer]**, as **[Title of Authorized Officer]** of Pacific Gas and Electric Company (the "Company"), in connection with certain Unfunded Property described below to be released pursuant to Section 8.04 of that certain Indenture of Mortgage, dated as of _____, 200__, by and between the Company and _____, as trustee (the "Indenture"). All capitalized terms used herein, unless otherwise defined herein, shall have the respective meanings assigned to such terms in the Indenture.

The undersigned hereby certify as to each of the following items in accordance with and as required pursuant to Section 8.04 of the Indenture:

1. The Unfunded Property to be released from the lien of the Indenture is described as follows (the "Release Property"):

   [Describe Unfunded Property]

2. The Fair Value, in the judgment of the undersigned, of the Release Property, together with the Fair Value, in the judgment of the undersigned, of Funded Property, if any, being released concurrently with the Release Property is $_____.

3. **[The Release Property is subject to a Senior Lien securing Senior Lien Obligations. The outstanding principal amount of Purchase Money Liens which constitute Senior Lien Obligations is $_____ as of the date of this Certificate. The outstanding principal amount of all other Senior Lien Obligations is $_____ as of the date of this Certificate.]**

4. The Net Fair Value of the Release Property is $_____.

5. The Cost of the Release Property is $_____ and the Net Cost of the Release Property is $_____.

6. The Property Additions Basis of the Release Property is $_____.

7. The Release Property constitutes Unfunded Property.

8. **[The aggregate Adjusted Property Additions Basis of all Property Additions which constitute Unfunded Property (excluding the Release Property) is not less than zero (0).] OR [The amount by which zero (0) exceeds the aggregate Adjusted Property Additions Basis of all Property Additions which constitute Unfunded Property (excluding the Release Property) is equal to $_____ (the "Make-up Amount") and is calculated as set forth on Annex 1 attached hereto.]**

9. In the judgment of the undersigned, the release of the Release Property will not impair the security under the Indenture in contravention of the provisions thereof.

[Name of Expert] hereby further certifies as follows:

a. I have read Section 8.04(c) of the Indenture and the related definitions of defined terms appearing in said Section 8.04(c).

b. The statements or opinions I have expressed herein are based upon my examination/investigation of **[List or describe the nature and scope of the examination or investigation upon which the statements or opinions are based]**.

c. In my opinion, I have made such examination or investigation as is necessary to enable me to express an informed opinion as to whether or not the Company has complied with the requirements of Section 8.04(c) of the Indenture.

d. In my opinion, the Company has complied with the requirements of Section 8.04(c) of the Indenture.

Witness our hands this _____ day of _____, 2___.

[Signature of Expert]

_____
Name:
Title:

[Signature of Authorized Officer]

_____
Name:
Title:

ANNEX 1

CALCULATION OF MAKE-UP AMOUNT UNDER SECTION 8.04

1. Aggregate Property Additions Basis (lesser of Net Cost or Net Fair Value) of all Property Additions which constitute Unfunded Property: $_____

2. Adjustments under Section 1.03(b): $_____

3. Total Reduction to Property Additions Basis (Item 1 above) per the adjustments under Item 2 above: $_____

4. Aggregate Adjusted Property Additions Basis (Item 1 less Item 3): $_____

5. Make-up Amount (amount by which zero (0) exceeds Item 4 above): $_____

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

First Supplemental Indenture

Dated as of March 23, 2004

Supplement to Indenture of Mortgage Dated as of March 11, 2004

PACIFIC GAS AND ELECTRIC COMPANY
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY
Trustee (Mortgagee)

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EXHIBIT A FORM OF FIXED RATE FIRST MORTGAGE BOND

EXHIBIT B FORM OF FLOATING RATE FIRST MORTGAGE BOND

FIRST SUPPLEMENTAL INDENTURE, dated as of March 23, 2004 (this "**First Supplemental Indenture**"), by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation (the "**Company**"), and **BNY WESTERN TRUST COMPANY**, a California banking corporation, as Trustee under the Indenture (as hereinafter defined) (the "**Trustee**").

RECITALS OF THE COMPANY

A. The Company and the Trustee are parties to that certain Indenture of Mortgage, dated as of March 11, 2004 (together with all indentures supplemental thereto, the "**Indenture**"), providing for the issuance by the Company of Bonds (as defined in the Indenture) from time to time.

B. Under the Indenture, the Company is authorized to issue unlimited series of Bonds and establish one or more series of Bonds at any time in accordance with the provisions of the Indenture, and the terms of such series of Bonds may be described by a supplemental indenture executed by the Company and the Trustee.

C. Pursuant to Section 3.01 and Article IV of the Indenture, the Company and the Trustee deem it advisable to enter into this First Supplemental Indenture for the purposes of establishing the terms of the Bonds of the Initial Series (as defined in the Indenture).

D. The execution and delivery of this First Supplemental Indenture has been authorized by a Board Resolution (as defined in the Indenture).

E. Concurrent with the execution hereof, the Company has caused its counsel to deliver to the Trustee an Opinion of Counsel (as defined in the Indenture) pursuant to Section 14.03 of the Indenture.

F. The Company has done all things necessary to make this First Supplemental Indenture a valid agreement of the Company in accordance with its terms.

NOW, THEREFORE, the Company and the Trustee agree, for the benefit of each other and the equal and proportionate benefit of all Holders of Bonds of the Initial Series, as follows:

ARTICLE I

DEFINITIONS

Unless the context otherwise requires, capitalized terms used but not defined herein have the meaning set forth in the Indenture. The following additional definitions are hereby established for purposes of this First Supplemental Indenture and shall have the meanings set forth in this First Supplemental Indenture only for purposes of this First Supplemental Indenture:

"**Adjusted Treasury Rate**" means, with respect to any Redemption Date on which any Bonds of the Initial Series are being redeemed pursuant to Section 302 hereof:

(a) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury issue will be determined and the Adjusted Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or

(b) if such release (or any successor publication) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

The Adjusted Treasury Rate will be calculated on the third Business Day preceding the Redemption Date.

"**Calculation Agency Agreement**" means the Calculation Agency Agreement, dated as of March 23, 2004, by and between the Calculation Agent and the Company, as such agreement may be amended, modified or supplemented from time to time.

"**Calculation Agent**" means BNY Western Trust Company or such other Person as the Company shall from time to time designate in accordance with the Calculation Agency Agreement.

"**Comparable Treasury Issue**" means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the Remaining Life of the applicable series of Fixed Rate First Mortgage Bonds to be redeemed pursuant to Section 302 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life of the applicable series of Fixed Rate First Mortgage Bonds to be redeemed pursuant to Section 302.

"**Comparable Treasury Price**" means, with respect to any Redemption Date on which any series of Fixed Rate First Mortgage Bonds is being redeemed pursuant to Section 302 hereof, (a) the average of five (5) Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (b) if the Independent Investment Banker obtains fewer than five (5) such Reference Treasury Dealer Quotations, the average of all quotations obtained.

"**Dealer**" means a primary U.S. Government Securities dealer in the United States.

"**Escrow Agent**" means BNY Western Trust Company, as escrow agent under the Escrow Agreement, and its successors and assigns.

"**Escrow Agreement**" means that certain Escrow Deposit and Disbursement Agreement, dated as of March 23, 2004, by and among the Company, the Escrow Agent and the Trustee.

"**Escrow Fund**" means the escrow account established pursuant to Section 3(a) of the Escrow Agreement.

"**Fixed Rate First Mortgage Bonds**" means, collectively, the 3.60% First Mortgage Bonds due 2009, the 4.20% First Mortgage Bonds due 2011, the 4.80% First Mortgage Bonds due 2014 and the 6.05% First Mortgage Bonds due 2034, in each case issued by the Company pursuant to this First Supplemental Indenture.

"**Floating Rate First Mortgage Bonds**" means the Floating Rate First Mortgage Bonds due 2006 issued by the Company pursuant to this First Supplemental Indenture.

"**Independent Investment Banker**" means a Dealer appointed by the Company.

"**Mandatory Redemption Date**" means June 23, 2004.

"**Original Issue Date**" means March 23, 2004.

"**Redemption Trigger Date**" means June 21, 2004.

"**Reference Treasury Dealer**" means Lehman Brothers Inc., UBS Securities LLC, the Independent Investment Banker and Dealers acceptable to the Independent Investment Banker and their respective successors; provided, however, that if any of the foregoing shall cease to be a Dealer, the Company will select a substitute Dealer. However, if the Company does not select a substitute Dealer within a reasonable period of time, then the substitute Dealer will be selected by the Trustee after consultation with the Company.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

"**Remaining Life**," as of any date of calculation, means the remaining term of the applicable series of Fixed Rate First Mortgage Bonds.

"**Remaining Scheduled Payments**" means, with respect to each Fixed Rate First Mortgage Bond that the Company is redeeming pursuant to Section 302, the remaining scheduled payments of principal and interest that would be due after the applicable Redemption Date if such Bond were not redeemed. However, if the Redemption Date is not a scheduled Interest Payment Date with respect to that Bond, the amount of the next succeeding scheduled interest payment on that Bond will be reduced by the amount of interest accrued on such Bond to the Redemption Date.

"**Special Redemption Premium**" means (a) in the case of the 3.60% First Mortgage Bonds due 2009, 1.00%, (b) in the case of the 4.20% First Mortgage Bonds due 2011, 2.00%, (c) in the case of the 4.80% First Mortgage Bonds due 2014, 2.00%, (d) in the case of the 6.05% First Mortgage Bonds due 2034, 3.00%, and (e) in the case of the Floating Rate First Mortgage Bonds due 2006, 1.00%.

"**U.S. Government Securities**" means securities which are (a) direct obligations of the United States of America for the payment on which its full faith and credit is pledged or (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America, and which in the case of (a) and (b) are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Security or a specific payment of interest on or principal of any such U.S. Government Security held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Security evidenced by such depository receipt.

The words "herein," "hereof" and "hereunder" and other words of similar import refer to this First Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE II

ESTABLISHMENT OF BONDS OF THE INITIAL SERIES

SECTION 201 *Designation of Bonds of the Initial Series.*

Pursuant to the terms hereof and Section 3.01 and Article IV of the Indenture, the Company hereby designates the Bonds of the Initial Series as the "3.60% First Mortgage Bonds due 2009" (the **"3.60% First Mortgage Bonds"**), which are established as the Bonds of the First Series in Article IV of the Indenture, the "4.20% First Mortgage Bonds due 2011" (the **"4.20% First Mortgage Bonds"**), which are established as the Bonds of the Second Series in Article IV of the Indenture, the "4.80% First Mortgage Bonds due 2014" (the **"4.80% First Mortgage Bonds"**), which are established as the Bonds of the Third Series in Article IV of the Indenture, the "6.05% First Mortgage Bonds due 2034" (the **"6.05% First Mortgage Bonds"**), which are established as the Bonds of the Fourth Series in Article IV of the Indenture, and the "Floating Rate First Mortgage Bonds due 2006" (the **"Floating Rate First Mortgage Bonds"**), which are established as the Bonds of the Fifth Series in Article IV of the Indenture. Any series of the Bonds of the Initial Series may be reopened, from time to time, for issuances of additional Bonds of such series, and any additional Bonds issued and comprising Bonds of any series of the Bonds of the Initial Series shall have identical terms as such series of Bonds of the Initial Series, except that the issue price, issue date and, in some cases, the first Interest Payment Date may differ.

SECTION 202 *Form of Bonds of the Initial Series; Exchange of Certificates Representing Bonds of the Initial Series.*

The Fixed Rate First Mortgage Bonds shall be substantially in the form attached as Exhibit A hereto, which exhibit is incorporated herein and made a part hereof. The Floating Rate First Mortgage Bonds shall be substantially in the form attached as Exhibit B hereto, which exhibit is incorporated herein and made a part hereof.

As soon as reasonably practicable after the Release Date, each Holder of a Bond of the Initial Series that is a Global Bond shall surrender such Bond to the Trustee and the Trustee shall simultaneously exchange the surrendered Global Bond for a new Bond of the Initial Series identical in all respects to the surrendered Global Bond except that the name of such Global Bond shall be changed from "First Mortgage Bond" to "Senior Note," all references in such Bond to "First Mortgage Bond," "Bonds" or "Bond" shall be changed to "Senior Note," "Notes" or "Note," respectively, and the bracketed language in the form of the Bond attached hereto shall be deleted. From and after the Release Date, any Bond of the Initial Series that is not a Global Bond and that is surrendered to the Trustee for registration of transfer or exchange shall be issued with terms identical in all respects to the surrendered Bond except that the name of such Bond shall be changed from "First Mortgage Bond" to "Senior Note," all references in such Bond to "First Mortgage Bond," "Bonds" or "Bond" shall be changed to "Senior Note," "Notes" or "Note," respectively, and the bracketed language in the form of such Bond attached hereto shall be deleted.

SECTION 203 *Principal Amounts of the Bonds of the Initial Series.*

(a) The 3.60% First Mortgage Bonds shall be issued in an initial aggregate principal amount of $600,000,000.

(b) The 4.20% First Mortgage Bonds shall be issued in an initial aggregate principal amount of $500,000,000.

(c) The 4.80% First Mortgage Bonds shall be issued in an initial aggregate principal amount of $1,000,000,000.

(d) The 6.05% First Mortgage Bonds shall be issued in an initial aggregate principal amount of $3,000,000,000.

(e) The Floating Rate First Mortgage Bonds shall be issued in an initial aggregate principal amount of $1,600,000,000.

SECTION 204 *Interest Rates and Stated Maturity of the Bonds of the Initial Series.*

(a) The 3.60% First Mortgage Bonds shall bear interest at the rate of 3.60% per annum and shall have a Stated Maturity of March 1, 2009.

(b) The 4.20% First Mortgage Bonds shall bear interest at the rate of 4.20% per annum and shall have a Stated Maturity of March 1, 2011.

(c) The 4.80% First Mortgage Bonds shall bear interest at the rate of 4.80% per annum and shall have a Stated Maturity of March 1, 2014.

(d) The 6.05% First Mortgage Bonds shall bear interest at the rate of 6.05% per annum and shall have a Stated Maturity of March 1, 2034.

(e) The rate of interest on the Floating Rate First Mortgage Bonds shall be calculated as set forth in the form of the Floating Rate First Mortgage Bonds attached as Exhibit B hereto. The Stated Maturity of the Floating Rate First Mortgage Bonds shall be April 3, 2006.

SECTION 205 *Global Securities; Appointment of Depositary for Global Securities.*

The Bonds of the Initial Series shall be issued in the form of one or more permanent Global Securities as provided in Section 3.13 of the Indenture and deposited with, or on behalf of, the Depositary or with the Trustee, as custodian for the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided.

The Company hereby initially appoints The Depository Trust Company ("**DTC**") to act as the Depositary with respect to all Bonds of the Initial Series, and the Bonds of the Initial Series shall initially be registered in the name of Cede & Co., as the nominee of DTC.

The Trustee is hereby authorized and requested to execute and deliver a Letter of Representations to DTC relating to the Bonds of the Initial Series and, in connection with any

successor nominee for DTC or any successor Depositary, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under the Indenture.

None of the Company, the Trustee, any Paying Agent or any Bond Registrar will have any responsibility or liability for any aspect of Depositary records relating to, or payments made on account of, beneficial ownership interests in a Global Bond or for maintaining, supervising or reviewing any Depositary records relating to such beneficial ownership interests, or for transfers of beneficial interests in the Bonds or any transactions between the Depositary and beneficial owners.

SECTION 206 *No Sinking Fund.*

No sinking fund is provided for any of the Bonds of the Initial Series.

SECTION 207 *Deposit of Proceeds of the Bonds of the Initial Series into Escrow; Release of Escrowed Funds.*

Pursuant to Section 3(a) of the Escrow Agreement, the Company shall deposit or cause to be deposited into the Escrow Fund cash in the amount of $6,700,000,000, being the aggregate principal amount of the Bonds of the Initial Series, together with cash in the amount of $217,425,888.89, being the aggregate amount of interest accruing on the Bonds of the Initial Series from the Original Issue Date to, but not including, the Mandatory Redemption Date and the aggregate amount of Special Redemption Premiums payable on the Bonds of the Initial Series as set forth in Section 301 hereof. If the Effective Date does not occur on or before the Redemption Trigger Date, the amount on deposit in the Escrow Fund shall be applied as set forth in Section 301 hereof. If the Effective Date occurs on or before the Redemption Trigger Date, the amount on deposit in the Escrow Fund shall be released to the Company on the Effective Date in accordance with the Escrow Agreement.

SECTION 208 *Paying Agent and Bond Registrar.*

The Trustee is hereby appointed as initial Paying Agent and initial Bond Registrar for the Bonds of the Initial Series.

SECTION 209 *Calculation Agent.*

BNY Western Trust Company is hereby appointed as the initial Calculation Agent for the Floating Rate First Mortgage Bonds.

SECTION 210 *Other Terms of the Bonds of the Initial Series.*

The other terms of the Bonds of the Initial Series shall be as expressly set forth in Article III, Exhibit A (with respect to the Fixed Rate First Mortgage Bonds) and Exhibit B (with respect to the Floating Rate First Mortgage Bonds).

ARTICLE III

REDEMPTION BY THE COMPANY

SECTION 301 *Special Mandatory Redemption.*

In the event the Effective Date has not occurred on or before the Redemption Trigger Date, the Company shall apply the amounts in the Escrow Fund to redeem all of the Bonds of the Initial Series on the Mandatory Redemption Date, at a Redemption Price equal to the principal amount of the Bonds of the Initial Series plus the applicable Special Redemption Premium on such principal amount, and accrued and unpaid interest from the Original Issue Date to, but not including, the Mandatory Redemption Date.

Redemption of the Bonds of the Initial Series pursuant to this Section 301 shall be made in accordance with Article VI of the Indenture, except that notice of such redemption shall be a conditional notice of redemption and will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of the Initial Series at the Holder's registered address.

SECTION 302 *Optional Redemption*

(a) Optional Redemption of 3.60% First Mortgage Bonds. Subject to the terms and conditions of the Indenture, the 3.60% First Mortgage Bonds are redeemable at the option of the Company, in whole or in part at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(i) 100% of the principal amount of the 3.60% First Mortgage Bonds to be redeemed; or

(ii) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the 3.60% First Mortgage Bonds to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.15%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the 3.60% First Mortgage Bonds being redeemed to but not including the Redemption Date.

(b) Optional Redemption of 4.20% First Mortgage Bonds. Subject to the terms and conditions of the Indenture, the 4.20% First Mortgage Bonds are redeemable at the option of the Company, in whole or in part at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(i) 100% of the principal amount of the 4.20% First Mortgage Bonds to be redeemed; or

(ii) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the 4.20% First Mortgage Bonds to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.15%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the 4.20% First Mortgage Bonds being redeemed to but not including the Redemption Date.

(c) Optional Redemption of 4.80% First Mortgage Bonds. Subject to the terms and conditions of the Indenture, the 4.80% First Mortgage Bonds are redeemable at the option of the Company, in whole or in part at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(i) 100% of the principal amount of the 4.80% First Mortgage Bonds to be redeemed; or

(ii) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the 4.80% First Mortgage Bonds to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.20%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the 4.80% First Mortgage Bonds being redeemed to but not including the Redemption Date.

(d) Optional Redemption of 6.05% First Mortgage Bonds. Subject to the terms and conditions of the Indenture, the 6.05% First Mortgage Bonds are redeemable at the option of the Company, in whole or in part at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(i) 100% of the principal amount of the 6.05% First Mortgage Bonds to be redeemed; or

(ii) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the 6.05% First Mortgage Bonds to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.25%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the 6.05% First Mortgage Bonds being redeemed to but not including the Redemption Date.

(e) Optional Redemption of Floating Rate First Mortgage Bonds. Subject to the terms and conditions of the Indenture, the Floating Rate First Mortgage Bonds are redeemable at the option of the Company, in whole or in part, on October 3, 2004 and any Interest Payment Date thereafter and prior to Maturity, at a Redemption Price equal to 100% of the principal amount of the Floating Rate First Mortgage Bonds being redeemed to the

Redemption Date, plus accrued and unpaid interest thereon to but not including the Redemption Date.

(f) Redemption of each series of Bonds of the Initial Series pursuant to this Section 302 shall be made in accordance with Article VI of the Indenture.

ARTICLE IV

MISCELLANEOUS

SECTION 401 *Additional Provisions.*

(a) Notwithstanding Section 1.01 of the Indenture, with respect to Bonds issued on or before the Effective Date, the term "Senior Lien Obligations" shall not include obligations under the 1920 Mortgage.

(b) If the Company designates the Release Date pursuant to Section 8.12 of the Indenture, then in addition to the items the Company is required to deliver to the Trustee pursuant to Section 8.12 of the Indenture, the Company shall deliver to the Trustee on or before the Release Date a replacement Global Bond referenced in Section 202 hereof duly executed by the Company for authentication by the Trustee, and the Trustee shall cancel the replaced Global Bond and, upon a Company Request, deliver to the Company a certificate of cancellation with respect to such replaced Global Bond.

SECTION 402 *Application of First Supplemental Indenture.*

Each and every term and condition contained in this First Supplemental Indenture that modifies, amends or supplements the terms and conditions of the Indenture shall apply only to Bonds of the Initial Series established hereby and not to any other series of Bonds established under the Indenture. Except as specifically amended and supplemented by, or to the extent inconsistent with, this First Supplemental Indenture, the Indenture shall remain in full force and effect and is hereby ratified and confirmed.

SECTION 403 *Effective Date of First Supplemental Indenture.*

This First Supplemental Indenture shall be effective upon the execution and delivery hereof by each of the parties hereto.

SECTION 404 *Counterparts.*

This First Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed by their respective officers hereunto duly authorized, all as of the day and year first above written.

PACIFIC GAS AND ELECTRIC COMPANY,
as Issuer (Mortgagor)

By: _____
Kent M. Harvey
Senior Vice President, Chief Financial Officer
and Treasurer

BNY WESTERN TRUST COMPANY,
as Trustee (Mortgagee)

By: _____
Josephine Libunao
Vice President

EXHIBIT A

[FORM OF FIXED RATE FIRST MORTGAGE BOND]

[Form of Face of Bond]

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").]

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE:
MATURITY DATE: March 1, _____	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

___% FIRST MORTGAGE BONDS DUE 20__
(Fixed Rate)

No. _____ Principal Amount: $_____
CUSIP No: _____

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a __% First Mortgage Bond Due ____ issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of ____% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this ___% First Mortgage Bond Due ____ (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: _____

PACIFIC GAS AND ELECTRIC COMPANY

By _____

By _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the ____ Series referred to in the within-mentioned Indenture.

_____,
As Trustee

By_____
Authorized Signatory

[Form of Reverse of Bond]

This __% First Mortgage Bond due ____ is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under [and equally secured by] an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of [the property mortgaged, pledged and held in trust, the nature and extent of the security and] the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of ___% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus ___ %,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like

aggregate principal amount of Bonds of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT B

[FORM OF FLOATING RATE FIRST MORTGAGE BOND]

[Form of Face of Bond]

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").]

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT: $	ORIGINAL ISSUE DATE: March 23, 2004	INITIAL INTEREST RATE:
MATURITY DATE: April 3, 2006	INTEREST RATE: LIBOR PLUS 0.70% PER ANNUM	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
INTEREST PAYMENT DATES: January 3, April 3, July 3 and October 3 of each year		
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

FLOATING RATE FIRST MORTGAGE BONDS DUE 2006
(Floating Rate)

No. _____ Principal Amount: $_____
CUSIP No: _____

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a Floating Rate First Mortgage Bond Due 2006 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on July 3, 2004, and on the Maturity Date stated above, at a floating rate of interest as determined below, computed and paid on the basis of a 360-day year and the actual number of days in each interest payment period, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Floating Rate First Mortgage Bond Due 2006 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. In the event that any Interest Payment Date is not a Business Day (other than an Interest Payment Date that falls on the Maturity Date), then such Interest Payment Date will be postponed to the next succeeding day that is a Business Day unless the Interest Payment Date falls in the next succeeding calendar month in which case the Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be

made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: _____

PACIFIC GAS AND ELECTRIC COMPANY

By _____

By _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fifth Series referred to in the within-mentioned Indenture.

_____,
As Trustee

By_____
Authorized Signatory

[Form of Reverse of Bond]

This Floating Rate First Mortgage Bond due 2006 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under [and equally secured by] an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of [the property mortgaged, pledged and held in trust, the nature and extent of the security and] the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The interest rate on this Bond will be reset quarterly on each Interest Payment Date (each an "Interest Reset Date"); provided, however, that the interest rate in effect from the Original Issue Date stated above to July 3, 2004 will be the Initial Interest Rate specified on the face hereof. If any Interest Reset Date would otherwise be a day that is not a Business Day, the Interest Reset Date shall be postponed to the next day that is a Business Day except that if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. Subject to applicable provisions of law, on each Interest Reset Date, the rate of interest on this Bond shall be determined in accordance with the following provisions:

With respect to any Interest Determination Date (as defined below), LIBOR will be the rate for deposits in U.S. Dollars having a maturity of three months for a period commencing on the second London Business Day immediately following such Interest Determination Date in amounts of not less than $1,000,000, as that rate appears on the display on Moneyline Telerate Page 3750 as of 11:00 a.m., London time, on such Interest Determination Date. "Moneyline Telerate Page 3750" means the display designated as page "3750" on Moneyline Telerate (or such other page as may replace the 3750 page on any successor service for the purpose of displaying London interbank rates of major banks for U.S. dollar deposits).

If no rate appears on Moneyline Telerate Page 3750 at approximately 11:00 a.m., London time on an Interest Determination Date, the Calculation Agent will determine LIBOR in respect of such Interest Determination Date as follows: the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent (after consultation with the Company), to provide the Calculation Agent with its offered quotation for deposits in U.S. Dollars for the period of three months commencing on the second London Business Day immediately following such Interest Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount equal to an amount not less than $ 1,000,000 that is representative of a single transaction in U.S. Dollars in such market at such time, and (a) if at least two such quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the

nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of such quotations, or (b) if fewer than two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of the rates quoted at approximately 11:00 a.m., in The City of New York, on such Interest Determination Date, by three major banks in The City of New York selected by the Calculation Agent (after consultation with the Company) for loans in U.S. Dollars to leading European banks, having a maturity of three months commencing on the second London Business Day immediately following such Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative for a single transaction in U.S. Dollars in such market at such time; provided, however, that if the banks selected by the Calculation Agent are not providing quotations in the manner mentioned in this sentence, LIBOR will remain the LIBOR then in effect on such Interest Determination Date.

Interest will be payable on January 3, April 3, July 3 and October 3 (each an "Interest Payment Date"), commencing on July 3, 2004, and at Maturity. If any Interest Payment Date would otherwise be a day that is not a Business Day, the Interest Payment Date shall be postponed to the next day that is a Business Day, except that if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

"Business Day" means with respect to any Bond, any London Business Day except a Saturday, a Sunday or a legal holiday in The City of New York on which banking institutions are authorized or required by law, regulation or executive order to close. "London Business Day" means any day on which dealings in deposits in U.S. Dollars are transacted or, with respect to any future date, are expected to be transacted, in the London interbank market.

The Interest Determination Date pertaining to an Interest Reset Date will be the second London Business Day preceding such Interest Reset Date.

Unless otherwise specified on the face hereof, interest payments, if any, will be the amount of interest accrued from and including the last date in respect of which interest has been paid or duly provided for (or from and including the Original Issue Date stated above if no interest has been paid or provided for with respect to this Bond) to but excluding the Interest Payment Date or the date of Maturity. Accrued interest hereon from the Original Issue Date stated above or from the last date to which interest hereon has been paid is calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the Original Issue Date stated above or from the last date to which interest shall have been paid, to the date for which accrued interest is being calculated. The interest factor for each day shall be computed by dividing the interest rate applicable to such day by 360. All percentages resulting from any calculation hereon will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards. For example, 9.876545% (or

.09876545) would be rounded to 9.87655% (or .0987655). All dollar amounts used in or resulting from any calculation hereon will be rounded to the nearest cent.

The interest rate on this Bond will in no event be higher than the maximum rate permitted by California law as the same may be modified by United States law of general applicability.

The Calculation Agent will, upon the request of the Holder of this Bond, provide to such Holder the interest rate hereon then in effect and, if different, the interest rate which will become effective as a result of a determination made on the most recent Interest Determination Date.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 1.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, on October 3, 2004 and on any Interest Payment Date thereafter and prior to Maturity, at a Redemption Price equal to 100% of the principal amount of the Bonds of this series to be redeemed, plus accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this

Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 3.60% per annum
MATURITY DATE: March 1, 2009	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

3.60% FIRST MORTGAGE BONDS DUE 2009
(Fixed Rate)

No. R-1
CUSIP No: 694308 GB 7

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 3.60% First Mortgage Bond Due 2009 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 3.60% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 3.60% First Mortgage Bond Due 2009 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the First Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 3.60% First Mortgage Bond Due 2009 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 1.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.15%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $100,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 3.60% per annum
MATURITY DATE: March 1, 2009	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

3.60% FIRST MORTGAGE BONDS DUE 2009
(Fixed Rate)

No. R-2
CUSIP No: 694308 GB 7

Principal Amount: $100,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 3.60% First Mortgage Bond Due 2009 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 3.60% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 3.60% First Mortgage Bond Due 2009 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the First Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 3.60% First Mortgage Bond Due 2009 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 1.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.15%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 4.20% per annum
MATURITY DATE: March 1, 2011	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

4.20% FIRST MORTGAGE BONDS DUE 2011
(Fixed Rate)

No. R-1
CUSIP No: 694308 GC 5

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 4.20% First Mortgage Bond Due 2011 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 4.20% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 4.20% First Mortgage Bond Due 2011 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Second Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 4.20% First Mortgage Bond Due 2011 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 2.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.15%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 4.80% per annum
MATURITY DATE: March 1, 2014	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

4.80% FIRST MORTGAGE BONDS DUE 2014
(Fixed Rate)

No. R-1
CUSIP No: 694308 GD 3

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 4.80% First Mortgage Bond Due 2014 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 4.80% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 4.80% First Mortgage Bond Due 2014 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Third Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 4.80% First Mortgage Bond Due 2014 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 2.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.20%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 4.80% per annum
MATURITY DATE: March 1, 2014	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

4.80% FIRST MORTGAGE BONDS DUE 2014
(Fixed Rate)

No. R-2
CUSIP No: 694308 GD 3

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 4.80% First Mortgage Bond Due 2014 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 4.80% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 4.80% First Mortgage Bond Due 2014 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Third Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 4.80% First Mortgage Bond Due 2014 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 2.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.20%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 6.05% per annum
MATURITY DATE: March 1, 2034	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

6.05% FIRST MORTGAGE BONDS DUE 2034
(Fixed Rate)

No. R-1
CUSIP No: 694308 GE 1

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 6.05% First Mortgage Bond Due 2034 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 6.05% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 6.05% First Mortgage Bond Due 2034 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fourth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 6.05% First Mortgage Bond Due 2034 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 3.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.25%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 6.05% per annum
MATURITY DATE: March 1, 2034	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

6.05% FIRST MORTGAGE BONDS DUE 2034
(Fixed Rate)

No. R-2
CUSIP No: 694308 GE 1

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 6.05% First Mortgage Bond Due 2034 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 6.05% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 6.05% First Mortgage Bond Due 2034 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fourth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 6.05% First Mortgage Bond Due 2034 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 3.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.25%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 6.05% per annum
MATURITY DATE: March 1, 2034	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

6.05% FIRST MORTGAGE BONDS DUE 2034
(Fixed Rate)

No. R-3
CUSIP No: 694308 GE 1

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 6.05% First Mortgage Bond Due 2034 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 6.05% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 6.05% First Mortgage Bond Due 2034 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fourth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 6.05% First Mortgage Bond Due 2034 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 3.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.25%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 6.05% per annum
MATURITY DATE: March 1, 2034	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

6.05% FIRST MORTGAGE BONDS DUE 2034
(Fixed Rate)

No. R-4 Principal Amount: $500,000,000
CUSIP No: 694308 GE 1

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 6.05% First Mortgage Bond Due 2034 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 6.05% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 6.05% First Mortgage Bond Due 2034 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fourth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 6.05% First Mortgage Bond Due 2034 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 3.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.25%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000..

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 6.05% per annum
MATURITY DATE: March 1, 2034	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

6.05% FIRST MORTGAGE BONDS DUE 2034
(Fixed Rate)

No. R-5
CUSIP No: 694308 GE 1

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 6.05% First Mortgage Bond Due 2034 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 6.05% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 6.05% First Mortgage Bond Due 2034 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fourth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 6.05% First Mortgage Bond Due 2034 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 3.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.25%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT : $500,000,000	ORIGINAL ISSUE DATE: March 23, 2004	INTEREST RATE: 6.05% per annum
MATURITY DATE: March 1, 2034	INTEREST PAYMENT DATES: March 1 and September 1 of each year	THIS BOND IS A: ☒ Global Book-Entry Bond ☐ Certificated Bond
REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company		

PACIFIC GAS AND ELECTRIC COMPANY

6.05% FIRST MORTGAGE BONDS DUE 2034
(Fixed Rate)

No. R-6
CUSIP No: 694308 GE 1

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a 6.05% First Mortgage Bond Due 2034 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates set forth above and on the Maturity Date stated above, commencing September 1, 2004, at the rate of 6.05% per annum until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 6.05% First Mortgage Bond Due 2034 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Bond shall be computed and paid on the basis of the 360-day year of twelve 30-day months and will accrue from March 23, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Bond (other than the Maturity Date) is not a Business Day then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally

payable. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fourth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This 6.05% First Mortgage Bond Due 2034 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 3.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, at any time after the Effective Date and prior to Maturity, at a Redemption Price equal to the greater of:

(a) 100% of the principal amount of the Bonds of this series to be redeemed; or

(b) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Bonds of this series to be so redeemed (not including any portion of such payments of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 0.25%,

plus, in either of the above cases, accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered

address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be

required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized

denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT: $500,000,000

ORIGINAL ISSUE DATE:

March 23, 2004

INITIAL INTEREST RATE: 1.81% per annum

MATURITY DATE:

April 3, 2006

INTEREST RATE: THREE-MONTH LIBOR PLUS 0.70% PER ANNUM

THIS BOND IS A:

☒ Global Book-Entry Bond

☐ Certificated Bond

INTEREST PAYMENT DATES:

January 3, April 3, July 3 and October 3 of each year

REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company

PACIFIC GAS AND ELECTRIC COMPANY

FLOATING RATE FIRST MORTGAGE BONDS DUE 2006
(Floating Rate)

No. R-1
CUSIP No: 694308 GF 8

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a Floating Rate First Mortgage Bond Due 2006 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on July 3, 2004, and on the Maturity Date stated above, at a floating rate of interest as determined below, computed and paid on the basis of a 360-day year and the actual number of days in each interest payment period, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Floating Rate First Mortgage Bond Due 2006 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. In the event that any Interest Payment Date is not a Business Day (other than an Interest Payment Date that falls on the Maturity Date), then such Interest Payment Date will be postponed to the next succeeding day that is a Business Day unless the Interest Payment Date falls in the next succeeding calendar month in which case the Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be

made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fifth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This Floating Rate First Mortgage Bond Due 2006 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The interest rate on this Bond will be reset quarterly on each Interest Payment Date (each an "Interest Reset Date"); provided, however, that the interest rate in effect from the Original Issue Date stated above to July 3, 2004 will be the Initial Interest Rate specified on the face hereof. If any Interest Reset Date would otherwise be a day that is not a Business Day, the Interest Reset Date shall be postponed to the next day that is a Business Day except that if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. Subject to applicable provisions of law, on each Interest Reset Date, the rate of interest on this Bond shall be determined in accordance with the following provisions:

With respect to any Interest Determination Date (as defined below), LIBOR will be the rate for deposits in U.S. Dollars having a maturity of three months for a period commencing on the second London Business Day immediately following such Interest Determination Date in amounts of not less than $1,000,000, as that rate appears on the display on Moneyline Telerate Page 3750 as of 11:00 a.m., London time, on such Interest Determination Date. "Moneyline Telerate Page 3750" means the display designated as page "3750" on Moneyline Telerate (or such other page as may replace the 3750 page on any successor service for the purpose of displaying London interbank rates of major banks for U.S. dollar deposits).

If no rate appears on Moneyline Telerate Page 3750 at approximately 11:00 a.m., London time on an Interest Determination Date, the Calculation Agent will determine LIBOR in respect of such Interest Determination Date as follows: the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent (after consultation with the Company), to provide the Calculation Agent with its offered quotation for deposits in U.S. Dollars for the period of three months commencing on the second London Business Day immediately following such Interest Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative of a single transaction in U.S. Dollars in such market at such time, and (a) if at least two such quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the

nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of such quotations, or (b) if fewer than two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of the rates quoted at approximately 11:00 a.m., in The City of New York, on such Interest Determination Date, by three major banks in The City of New York selected by the Calculation Agent (after consultation with the Company) for loans in U.S. Dollars to leading European banks, having a maturity of three months commencing on the second London Business Day immediately following such Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative for a single transaction in U.S. Dollars in such market at such time; provided, however, that if the banks selected by the Calculation Agent are not providing quotations in the manner mentioned in this sentence, LIBOR will remain the LIBOR then in effect on such Interest Determination Date.

Interest will be payable on January 3, April 3, July 3 and October 3 (each an "Interest Payment Date"), commencing on July 3, 2004, and at Maturity. If any Interest Payment Date would otherwise be a day that is not a Business Day, the Interest Payment Date shall be postponed to the next day that is a Business Day, except that if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

"Business Day" means with respect to any Bond, any London Business Day except a Saturday, a Sunday or a legal holiday in The City of New York on which banking institutions are authorized or required by law, regulation or executive order to close. "London Business Day" means any day on which dealings in deposits in U.S. Dollars are transacted or, with respect to any future date, are expected to be transacted, in the London interbank market.

The Interest Determination Date pertaining to an Interest Reset Date will be the second London Business Day preceding such Interest Reset Date.

Unless otherwise specified on the face hereof, interest payments, if any, will be the amount of interest accrued from and including the last date in respect of which interest has been paid or duly provided for (or from and including the Original Issue Date stated above if no interest has been paid or provided for with respect to this Bond) to but excluding the Interest Payment Date or the date of Maturity. Accrued interest hereon from the Original Issue Date stated above or from the last date to which interest hereon has been paid is calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the Original Issue Date stated above or from the last date to which interest shall have been paid, to the date for which accrued interest is being calculated. The interest factor for each day shall be computed by dividing the interest rate applicable to such day by 360. All percentages resulting from any calculation hereon will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards. For example, 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655). All dollar amounts used in or

resulting from any calculation hereon will be rounded to the nearest cent.

The interest rate on this Bond will in no event be higher than the maximum rate permitted by California law as the same may be modified by United States law of general applicability.

The Calculation Agent will, upon the request of the Holder of this Bond, provide to such Holder the interest rate hereon then in effect and, if different, the interest rate which will become effective as a result of a determination made on the most recent Interest Determination Date.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 1.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, on October 3, 2004 and on any Interest Payment Date thereafter and prior to Maturity, at a Redemption Price equal to 100% of the principal amount of the Bonds of this series to be redeemed, plus accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder

appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT: $500,000,000

ORIGINAL ISSUE DATE:

March 23, 2004

INITIAL INTEREST RATE: 1.81% per annum

MATURITY DATE:

April 3, 2006

INTEREST RATE: THREE-MONTH LIBOR PLUS 0.70% PER ANNUM

THIS BOND IS A:

☒ Global Book-Entry Bond

☐ Certificated Bond

INTEREST PAYMENT DATES:

January 3, April 3, July 3 and October 3 of each year

REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company

PACIFIC GAS AND ELECTRIC COMPANY

FLOATING RATE FIRST MORTGAGE BONDS DUE 2006
(Floating Rate)

No. R-2
CUSIP No: 694308 GF 8

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a Floating Rate First Mortgage Bond Due 2006 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on July 3, 2004, and on the Maturity Date stated above, at a floating rate of interest as determined below, computed and paid on the basis of a 360-day year and the actual number of days in each interest payment period, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Floating Rate First Mortgage Bond Due 2006 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. In the event that any Interest Payment Date is not a Business Day (other than an Interest Payment Date that falls on the Maturity Date), then such Interest Payment Date will be postponed to the next succeeding day that is a Business Day unless the Interest Payment Date falls in the next succeeding calendar month in which case the Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be

made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fifth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This Floating Rate First Mortgage Bond Due 2006 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The interest rate on this Bond will be reset quarterly on each Interest Payment Date (each an "Interest Reset Date"); provided, however, that the interest rate in effect from the Original Issue Date stated above to July 3, 2004 will be the Initial Interest Rate specified on the face hereof. If any Interest Reset Date would otherwise be a day that is not a Business Day, the Interest Reset Date shall be postponed to the next day that is a Business Day except that if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. Subject to applicable provisions of law, on each Interest Reset Date, the rate of interest on this Bond shall be determined in accordance with the following provisions:

With respect to any Interest Determination Date (as defined below), LIBOR will be the rate for deposits in U.S. Dollars having a maturity of three months for a period commencing on the second London Business Day immediately following such Interest Determination Date in amounts of not less than $1,000,000, as that rate appears on the display on Moneyline Telerate Page 3750 as of 11:00 a.m., London time, on such Interest Determination Date. "Moneyline Telerate Page 3750" means the display designated as page "3750" on Moneyline Telerate (or such other page as may replace the 3750 page on any successor service for the purpose of displaying London interbank rates of major banks for U.S. dollar deposits).

If no rate appears on Moneyline Telerate Page 3750 at approximately 11:00 a.m., London time on an Interest Determination Date, the Calculation Agent will determine LIBOR in respect of such Interest Determination Date as follows: the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent (after consultation with the Company), to provide the Calculation Agent with its offered quotation for deposits in U.S. Dollars for the period of three months commencing on the second London Business Day immediately following such Interest Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative of a single transaction in U.S. Dollars in such market at such time, and (a) if at least two such quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the

nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of such quotations, or (b) if fewer than two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of the rates quoted at approximately 11:00 a.m., in The City of New York, on such Interest Determination Date, by three major banks in The City of New York selected by the Calculation Agent (after consultation with the Company) for loans in U.S. Dollars to leading European banks, having a maturity of three months commencing on the second London Business Day immediately following such Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative for a single transaction in U.S. Dollars in such market at such time; provided, however, that if the banks selected by the Calculation Agent are not providing quotations in the manner mentioned in this sentence, LIBOR will remain the LIBOR then in effect on such Interest Determination Date.

Interest will be payable on January 3, April 3, July 3 and October 3 (each an "Interest Payment Date"), commencing on July 3, 2004, and at Maturity. If any Interest Payment Date would otherwise be a day that is not a Business Day, the Interest Payment Date shall be postponed to the next day that is a Business Day, except that if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

"Business Day" means with respect to any Bond, any London Business Day except a Saturday, a Sunday or a legal holiday in The City of New York on which banking institutions are authorized or required by law, regulation or executive order to close. "London Business Day" means any day on which dealings in deposits in U.S. Dollars are transacted or, with respect to any future date, are expected to be transacted, in the London interbank market.

The Interest Determination Date pertaining to an Interest Reset Date will be the second London Business Day preceding such Interest Reset Date.

Unless otherwise specified on the face hereof, interest payments, if any, will be the amount of interest accrued from and including the last date in respect of which interest has been paid or duly provided for (or from and including the Original Issue Date stated above if no interest has been paid or provided for with respect to this Bond) to but excluding the Interest Payment Date or the date of Maturity. Accrued interest hereon from the Original Issue Date stated above or from the last date to which interest hereon has been paid is calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the Original Issue Date stated above or from the last date to which interest shall have been paid, to the date for which accrued interest is being calculated. The interest factor for each day shall be computed by dividing the interest rate applicable to such day by 360. All percentages resulting from any calculation hereon will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards. For example, 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655). All dollar amounts used in or

resulting from any calculation hereon will be rounded to the nearest cent.

The interest rate on this Bond will in no event be higher than the maximum rate permitted by California law as the same may be modified by United States law of general applicability.

The Calculation Agent will, upon the request of the Holder of this Bond, provide to such Holder the interest rate hereon then in effect and, if different, the interest rate which will become effective as a result of a determination made on the most recent Interest Determination Date.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 1.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, on October 3, 2004 and on any Interest Payment Date thereafter and prior to Maturity, at a Redemption Price equal to 100% of the principal amount of the Bonds of this series to be redeemed, plus accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder

hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the

appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT: $500,000,000

ORIGINAL ISSUE DATE:

March 23, 2004

INITIAL INTEREST RATE: 1.81% per annum

MATURITY DATE:

April 3, 2006

INTEREST RATE: THREE-MONTH LIBOR PLUS 0.70% PER ANNUM

THIS BOND IS A:

☒ Global Book-Entry Bond

☐ Certificated Bond

INTEREST PAYMENT DATES:

January 3, April 3, July 3 and October 3 of each year

REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company

PACIFIC GAS AND ELECTRIC COMPANY

FLOATING RATE FIRST MORTGAGE BONDS DUE 2006
(Floating Rate)

No. R-3
CUSIP No: 694308 GF 8

Principal Amount: $500,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a Floating Rate First Mortgage Bond Due 2006 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on July 3, 2004, and on the Maturity Date stated above, at a floating rate of interest as determined below, computed and paid on the basis of a 360-day year and the actual number of days in each interest payment period, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Floating Rate First Mortgage Bond Due 2006 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. In the event that any Interest Payment Date is not a Business Day (other than an Interest Payment Date that falls on the Maturity Date), then such Interest Payment Date will be postponed to the next succeeding day that is a Business Day unless the Interest Payment Date falls in the next succeeding calendar month in which case the Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be

made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fifth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This Floating Rate First Mortgage Bond Due 2006 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The interest rate on this Bond will be reset quarterly on each Interest Payment Date (each an "Interest Reset Date"); provided, however, that the interest rate in effect from the Original Issue Date stated above to July 3, 2004 will be the Initial Interest Rate specified on the face hereof. If any Interest Reset Date would otherwise be a day that is not a Business Day, the Interest Reset Date shall be postponed to the next day that is a Business Day except that if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. Subject to applicable provisions of law, on each Interest Reset Date, the rate of interest on this Bond shall be determined in accordance with the following provisions:

With respect to any Interest Determination Date (as defined below), LIBOR will be the rate for deposits in U.S. Dollars having a maturity of three months for a period commencing on the second London Business Day immediately following such Interest Determination Date in amounts of not less than $1,000,000, as that rate appears on the display on Moneyline Telerate Page 3750 as of 11:00 a.m., London time, on such Interest Determination Date. "Moneyline Telerate Page 3750" means the display designated as page "3750" on Moneyline Telerate (or such other page as may replace the 3750 page on any successor service for the purpose of displaying London interbank rates of major banks for U.S. dollar deposits).

If no rate appears on Moneyline Telerate Page 3750 at approximately 11:00 a.m., London time on an Interest Determination Date, the Calculation Agent will determine LIBOR in respect of such Interest Determination Date as follows: the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent (after consultation with the Company), to provide the Calculation Agent with its offered quotation for deposits in U.S. Dollars for the period of three months commencing on the second London Business Day immediately following such Interest Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative of a single transaction in U.S. Dollars in such market at such time, and (a) if at least two such quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the

nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of such quotations, or (b) if fewer than two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of the rates quoted at approximately 11:00 a.m., in The City of New York, on such Interest Determination Date, by three major banks in The City of New York selected by the Calculation Agent (after consultation with the Company) for loans in U.S. Dollars to leading European banks, having a maturity of three months commencing on the second London Business Day immediately following such Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative for a single transaction in U.S. Dollars in such market at such time; provided, however, that if the banks selected by the Calculation Agent are not providing quotations in the manner mentioned in this sentence, LIBOR will remain the LIBOR then in effect on such Interest Determination Date.

Interest will be payable on January 3, April 3, July 3 and October 3 (each an "Interest Payment Date"), commencing on July 3, 2004, and at Maturity. If any Interest Payment Date would otherwise be a day that is not a Business Day, the Interest Payment Date shall be postponed to the next day that is a Business Day, except that if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

"Business Day" means with respect to any Bond, any London Business Day except a Saturday, a Sunday or a legal holiday in The City of New York on which banking institutions are authorized or required by law, regulation or executive order to close. "London Business Day" means any day on which dealings in deposits in U.S. Dollars are transacted or, with respect to any future date, are expected to be transacted, in the London interbank market.

The Interest Determination Date pertaining to an Interest Reset Date will be the second London Business Day preceding such Interest Reset Date.

Unless otherwise specified on the face hereof, interest payments, if any, will be the amount of interest accrued from and including the last date in respect of which interest has been paid or duly provided for (or from and including the Original Issue Date stated above if no interest has been paid or provided for with respect to this Bond) to but excluding the Interest Payment Date or the date of Maturity. Accrued interest hereon from the Original Issue Date stated above or from the last date to which interest hereon has been paid is calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the Original Issue Date stated above or from the last date to which interest shall have been paid, to the date for which accrued interest is being calculated. The interest factor for each day shall be computed by dividing the interest rate applicable to such day by 360. All percentages resulting from any calculation hereon will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards. For example, 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655). All dollar amounts used in or

resulting from any calculation hereon will be rounded to the nearest cent.

The interest rate on this Bond will in no event be higher than the maximum rate permitted by California law as the same may be modified by United States law of general applicability.

The Calculation Agent will, upon the request of the Holder of this Bond, provide to such Holder the interest rate hereon then in effect and, if different, the interest rate which will become effective as a result of a determination made on the most recent Interest Determination Date.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 1.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, on October 3, 2004 and on any Interest Payment Date thereafter and prior to Maturity, at a Redemption Price equal to 100% of the principal amount of the Bonds of this series to be redeemed, plus accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder

hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the

appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

THIS BOND IS A GLOBAL BOND WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR BONDS IN DEFINITIVE FORM, THIS BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS BOND CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE COMPANY MAY CAUSE THIS BOND TO BE ENTIRELY UNSECURED FROM AND AFTER THE FIRST DATE ON WHICH (I) THE RATINGS ON THE COMPANY'S LONG-TERM UNSECURED DEBT OBLIGATIONS SHALL BE AT LEAST EQUAL TO THE ISSUANCE DATE SECURED DEBT RATINGS AND (II) THE AGGREGATE PRINCIPAL AMOUNT OF ALL OUTSTANDING DEBT SECURED BY A LIEN ON ANY PRINCIPAL PROPERTY THAT WILL BE OUTSTANDING IMMEDIATELY AFTER THE RELEASE DATE (EXCLUDING SECURED DEBT PERMITTED BY SECTION 7.11(a)(i) THROUGH (vi), INCLUSIVE, OF THE INDENTURE) WILL NOT EXCEED 5% OF THE COMPANY'S NET TANGIBLE ASSETS, PROVIDED THAT NO DEFAULT OR EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING (THE "RELEASE DATE").

THE FOLLOWING SUMMARY OF TERMS IS SUBJECT TO THE INFORMATION SET FORTH ON THE REVERSE HEREOF:

PRINCIPAL AMOUNT: $100,000,000

ORIGINAL ISSUE DATE:

March 23, 2004

INITIAL INTEREST RATE: 1.81% per annum

MATURITY DATE:

April 3, 2006

INTEREST RATE: THREE-MONTH LIBOR PLUS 0.70% PER ANNUM

THIS BOND IS A:

☒ Global Book-Entry Bond

☐ Certificated Bond

INTEREST PAYMENT DATES:

January 3, April 3, July 3 and October 3 of each year

REGISTERED OWNER: Cede & Co., as nominee of The Depository Trust Company

PACIFIC GAS AND ELECTRIC COMPANY

FLOATING RATE FIRST MORTGAGE BONDS DUE 2006
(Floating Rate)

No. R-4
CUSIP No: 694308 GF 8

Principal Amount: $100,000,000

PACIFIC GAS AND ELECTRIC COMPANY, a corporation duly organized and existing under the laws of the State of California (herein called the "Company," which term includes any successor Person pursuant to the applicable provisions of the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the Principal Amount stated above on the Maturity Date stated above, and to pay interest thereon from and including the Original Issue Date stated above or, in the case of a Floating Rate First Mortgage Bond Due 2006 issued upon the registration of transfer or exchange, from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on July 3, 2004, and on the Maturity Date stated above, at a floating rate of interest as determined below, computed and paid on the basis of a 360-day year and the actual number of days in each interest payment period, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Floating Rate First Mortgage Bond Due 2006 (this "Bond") (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day of the month next preceding such Interest Payment Date; provided, however, that interest payable at the Maturity Date or on a Redemption Date will be paid to the Person to whom principal is payable. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Bonds of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of the Indenture and any securities exchange, if any, on which the Bonds of this series may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in said Indenture.

Payments of interest on this Bond will include interest accrued to but excluding the respective Interest Payment Dates. In the event that any Interest Payment Date is not a Business Day (other than an Interest Payment Date that falls on the Maturity Date), then such Interest Payment Date will be postponed to the next succeeding day that is a Business Day unless the Interest Payment Date falls in the next succeeding calendar month in which case the Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest may be

made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

Payment of principal of, premium, if any, and interest on the Bonds of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Bonds of this series represented by a Global Bond shall be made by wire transfer of immediately available funds to the Holder of such Global Bond, provided that, in the case of payments of principal and premium, if any, such Global Bond is first surrendered to the Paying Agent. If any of the Bonds of this series are no longer represented by a Global Bond, (i) payments of principal, premium, if any, and interest due on the Maturity Date or earlier redemption of such Bonds shall be made at the office of the Paying Agent upon surrender of such Bonds to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Company, subject to such surrender where applicable, (A) by check mailed to the address of the Person entitled thereto as such address shall appear in the Bond Register or (B) by wire transfer to registered Holders of at least $10,000,000 in principal amount of Bonds at such place and to such account at a banking institution in the United States as such Holders may designate in writing to the Trustee at least sixteen (16) days prior to the date for payment.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: March 23, 2004

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
President and Chief Executive Officer

By: _____
Senior Vice President,
Chief Financial Officer
and Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the series designated as Bonds of the Fifth Series referred to in the within-mentioned Indenture.

BNY WESTERN TRUST COMPANY,
As Trustee

By: _____
Authorized Signatory

Reverse of Bond

This Floating Rate First Mortgage Bond Due 2006 is one of a duly authorized issue of Bonds of the Company (the "Bonds"), issued and issuable in one or more series under and equally secured by an Indenture of Mortgage, dated as of March 11, 2004 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Bonds, being herein called the "Indenture"), between the Company and BNY Western Trust Company, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the property mortgaged, pledged and held in trust, the nature and extent of the security and the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of Bonds thereunder and of the terms and conditions upon which Bonds are, and are to be, authenticated and delivered. The acceptance of this Bond shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture.

The interest rate on this Bond will be reset quarterly on each Interest Payment Date (each an "Interest Reset Date"); provided, however, that the interest rate in effect from the Original Issue Date stated above to July 3, 2004 will be the Initial Interest Rate specified on the face hereof. If any Interest Reset Date would otherwise be a day that is not a Business Day, the Interest Reset Date shall be postponed to the next day that is a Business Day except that if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. Subject to applicable provisions of law, on each Interest Reset Date, the rate of interest on this Bond shall be determined in accordance with the following provisions:

With respect to any Interest Determination Date (as defined below), LIBOR will be the rate for deposits in U.S. Dollars having a maturity of three months for a period commencing on the second London Business Day immediately following such Interest Determination Date in amounts of not less than $1,000,000, as that rate appears on the display on Moneyline Telerate Page 3750 as of 11:00 a.m., London time, on such Interest Determination Date. "Moneyline Telerate Page 3750" means the display designated as page "3750" on Moneyline Telerate (or such other page as may replace the 3750 page on any successor service for the purpose of displaying London interbank rates of major banks for U.S. dollar deposits).

If no rate appears on Moneyline Telerate Page 3750 at approximately 11:00 a.m., London time on an Interest Determination Date, the Calculation Agent will determine LIBOR in respect of such Interest Determination Date as follows: the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent (after consultation with the Company), to provide the Calculation Agent with its offered quotation for deposits in U.S. Dollars for the period of three months commencing on the second London Business Day immediately following such Interest Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative of a single transaction in U.S. Dollars in such market at such time, and (a) if at least two such quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the

nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of such quotations, or (b) if fewer than two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean (rounded, if necessary, to the nearest one-hundred-thousandth of a percentage point (0.000001%), with five-millionths of a percentage point (0.0000005%) rounded upwards) of the rates quoted at approximately 11:00 a.m., in The City of New York, on such Interest Determination Date, by three major banks in The City of New York selected by the Calculation Agent (after consultation with the Company) for loans in U.S. Dollars to leading European banks, having a maturity of three months commencing on the second London Business Day immediately following such Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative for a single transaction in U.S. Dollars in such market at such time; provided, however, that if the banks selected by the Calculation Agent are not providing quotations in the manner mentioned in this sentence, LIBOR will remain the LIBOR then in effect on such Interest Determination Date.

Interest will be payable on January 3, April 3, July 3 and October 3 (each an "Interest Payment Date"), commencing on July 3, 2004, and at Maturity. If any Interest Payment Date would otherwise be a day that is not a Business Day, the Interest Payment Date shall be postponed to the next day that is a Business Day, except that if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding Business Day. If the Maturity Date falls on a day that is not a Business Day, the payment of principal and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after maturity.

"Business Day" means with respect to any Bond, any London Business Day except a Saturday, a Sunday or a legal holiday in The City of New York on which banking institutions are authorized or required by law, regulation or executive order to close. "London Business Day" means any day on which dealings in deposits in U.S. Dollars are transacted or, with respect to any future date, are expected to be transacted, in the London interbank market.

The Interest Determination Date pertaining to an Interest Reset Date will be the second London Business Day preceding such Interest Reset Date.

Unless otherwise specified on the face hereof, interest payments, if any, will be the amount of interest accrued from and including the last date in respect of which interest has been paid or duly provided for (or from and including the Original Issue Date stated above if no interest has been paid or provided for with respect to this Bond) to but excluding the Interest Payment Date or the date of Maturity. Accrued interest hereon from the Original Issue Date stated above or from the last date to which interest hereon has been paid is calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the Original Issue Date stated above or from the last date to which interest shall have been paid, to the date for which accrued interest is being calculated. The interest factor for each day shall be computed by dividing the interest rate applicable to such day by 360. All percentages resulting from any calculation hereon will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards. For example, 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655). All dollar amounts used in or

resulting from any calculation hereon will be rounded to the nearest cent.

The interest rate on this Bond will in no event be higher than the maximum rate permitted by California law as the same may be modified by United States law of general applicability.

The Calculation Agent will, upon the request of the Holder of this Bond, provide to such Holder the interest rate hereon then in effect and, if different, the interest rate which will become effective as a result of a determination made on the most recent Interest Determination Date.

The Bonds of this series are subject to mandatory redemption ("Mandatory Redemption") in whole on June 23, 2004 (the "Mandatory Redemption Date"), in the event the Effective Date has not occurred on or before June 21, 2004, at a redemption price equal to the principal amount of the Bonds of this series plus a redemption premium of 1.00% on such principal amount, and accrued and unpaid interest from March 23, 2004 to but not including the Mandatory Redemption Date.

Subject to the terms and conditions of the Indenture, the Bonds of this series are also redeemable at the option of the Company ("Optional Redemption"), in whole or in part, on October 3, 2004 and on any Interest Payment Date thereafter and prior to Maturity, at a Redemption Price equal to 100% of the principal amount of the Bonds of this series to be redeemed, plus accrued and unpaid interest on the principal amount of the Bonds of this series being redeemed to but not including the Redemption Date.

Interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to Holders of such Bonds, or one or more Predecessor Bonds, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

In the case of a Mandatory Redemption, a conditional notice of Mandatory Redemption will be in writing and mailed first-class postage-prepaid not less than 7 days nor more than 30 days prior to the Mandatory Redemption Date, but only if the Effective Date has not occurred on or by such date of mailing, to each Holder of Bonds of this series at the Holder's registered address. If moneys are applied to effect a Mandatory Redemption on the Mandatory Redemption Date therefor, immediately after such Mandatory Redemption Date interest shall cease to accrue on such Bonds.

In the case of an Optional Redemption, notice of redemption will be in writing and mailed first-class postage-prepaid not less than 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds of this series to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Bonds of this series (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent or the Trustee on or prior to the Redemption Date, from and after such Redemption Date such Bonds or portions thereof shall cease to bear interest. Bonds of this series in denominations larger than $1,000 in principal amount may be redeemed in part but only in integral multiples of $1,000.

In the event of redemption of this Bond in part only, a new Bond or Bonds of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder

hereof upon the surrender hereof.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with money, if any, deposited with or held by the Trustee or such Paying Agent, will be sufficient to pay when due the principal of and premium, if any, and interest on this Bond when due.

If an Event of Default shall occur and be continuing, the Trustee or the Holders of not less than a majority, prior to the Release Date, or 33%, on or after the Release Date, in aggregate principal amount of the Outstanding Bonds, considered as one class, may declare the principal amount of all Bonds then Outstanding to be due and payable immediately by notice in writing to the Company (and to the Trustee if given by Holders); provided, however, that with respect to certain Events of Default relating to bankruptcy, insolvency and similar events, the principal amount of all Bonds then Outstanding shall be due and payable immediately without further action by the Trustee or the Holders.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, considered as one class; provided, however, that if there shall be Bonds of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Bonds of any series shall have been issued in more than one Tranche and if a proposed supplemental indenture shall directly affect the rights of the Holders of Bonds of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Bonds of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Company and the Trustee to enter into one or more supplemental indentures for certain purposes without the consent of any Holders of Bonds. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of Bonds, on behalf of the Holders of all such Bonds, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in and subject to the provisions of the Indenture, the Holder of this Bond shall not have the right to institute any proceeding with respect to the Indenture or for the

appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of at least 33% in aggregate principal amount of the Bonds at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of at least a majority in aggregate principal amount of Bonds at the time Outstanding a direction inconsistent with such written request, and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Bond for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Bond or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Bond at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Bond is registrable in the Bond Register, upon surrender of this Bond for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Bond are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Bond Registrar, as the case may be, duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Bonds of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company shall not be required to execute or to provide for the registration of the transfer of or the exchange of (A) any Bond of this series during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Bonds of this series called for redemption, or (B) any Bond of this series selected for redemption in whole or in part, except the unredeemed portion of any Bond of this series being redeemed in part.

Prior to due presentment of this Bond for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Bond is registered as the owner hereof for all purposes, whether or not this Bond is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

This Bond shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the principles of conflicts of laws thereunder, except to the extent that the Trust Indenture Act shall be applicable.

As provided in the Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest with respect to this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or of the indebtedness represented hereby, or upon any obligation, covenant or agreement under the Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Bonds are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of this Bond.

All terms used in this Bond which are not defined herein shall have the meanings assigned to them in the Indenture.

ASSIGNMENT FORM

To assign this Bond, fill in the form below: (I) or (we) assign and transfer this Bond to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Bond on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your signature: _____
(Sign exactly as your name appears on the face of this Bond)

Tax Identification No.:_____

SIGNATURE GUARANTEE:

_____

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("*STAMP*") or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

PACIFIC GAS AND ELECTRIC COMPANY

AUTHENTICATION AND DELIVERY ORDER

March 23, 2004

BNY Western Trust Company
550 Kearney Street, Suite 600
San Francisco, CA 94108

Ladies and Gentlemen:

We have delivered to you the documents and certificates listed in Section 5.01 of the Indenture of Mortgage, dated as of March 11, 2004 (the "Indenture"), between Pacific Gas and Electric Company, a California corporation (the "Company"), and you, as trustee thereunder. Pursuant to Section 5.01 of the Indenture, you are hereby requested and directed to authenticate, in the manner provided in the Indenture, the global bonds certificates listed in Schedule A hereto, each heretofore duly executed by proper officers of the Company and delivered to you as provided in the Indenture, and to deliver said certificates registered in the name(s) as set forth on Schedule A hereto on March 23, 2004.

Very truly yours,

PACIFIC GAS AND ELECTRIC COMPANY

By _____
Kent M. Harvey
Senior Vice President, Chief Financial Officer and Treasurer

SCHEDULE A

PACIFIC GAS AND ELECTRIC COMPANY

Name of Bonds	Registered Owner	Deliver To	Principal Amount	CUSIP No.
3.60% First Mortgage Bonds Due 2009	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GB 7
3.60% First Mortgage Bonds Due 2009	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$100,000,000	694308 GB 7
4.20% First Mortgage Bonds Due 2011	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GC 5
4.80% First Mortgage Bonds Due 2014	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GD 3
4.80% First Mortgage Bonds Due 2014	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GD 3
6.05% First Mortgage Bonds Due 2034	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
6.05% First Mortgage Bonds Due 2034	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
6.05% First Mortgage Bonds Due 2034	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
6.05% First Mortgage Bonds Due 2034	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
6.05% First Mortgage Bonds Due 2034	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1

Name of Bonds	Registered Owner	Deliver To	Principal Amount	CUSIP No.
6.05% First Mortgage Bonds Due 2034	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
Floating Rate First Mortgage Bonds Due 2006	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GF 8
Floating Rate First Mortgage Bonds Due 2006	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GF 8
Floating Rate First Mortgage Bonds Due 2006	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GF 8
Floating Rate First Mortgage Bonds Due 2006	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$100,000,000	694308 GF 8

*The Trustee holds the Bonds as custodian for The Depository Trust Company

ACKNOWLEDGEMENT OF THE TRUSTEE

The undersigned, a duly authorized officer of BNY Western Trust Company, as trustee (the "Trustee") under the Indenture of Mortgage, dated as of March 11, 2004, as supplemented (the "Indenture"), between Pacific Gas and Electric Company, a California corporation, and the Trustee, does hereby acknowledge that the Trustee has authenticated, in the manner provided in the Indenture, the bond certificates listed in Schedule A hereto, and has delivered said certificates registered in the name(s) as set forth on Schedule A hereto on the date hereof.

Dated: March 23, 2004

BNY WESTERN TRUST COMPANY

By _____
Josephine Libunao
Vice President

SCHEDULE A

PACIFIC GAS AND ELECTRIC COMPANY

Name of Bonds	Registered Owner	Deliver To	Principal Amount	CUSIP No.
3.60% First Mortgage Bonds Due 2009	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GB 7
3.60% First Mortgage Bonds Due 2009	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$100,000,000	694308 GB 7
4.20% First Mortgage Bonds Due 2011	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GC 5
4.80% First Mortgage Bonds Due 2014	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GD 3
4.80% First Mortgage Bonds Due 2014	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GD 3
6.05% First Mortgage Bonds Due 2034	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
6.05% First Mortgage Bonds Due 2034	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
6.05% First Mortgage Bonds Due 2034	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
6.05% First Mortgage Bonds Due 2034	CEDE & CO.	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
6.05% First Mortgage Bonds Due 2034	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1

Name of Bonds	Registered Owner	Deliver To	Principal Amount	CUSIP No.
6.05% First Mortgage Bonds Due 2034	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GE 1
Floating Rate First Mortgage Bonds Due 2006	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GF 8
Floating Rate First Mortgage Bonds Due 2006	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GF 8
Floating Rate First Mortgage Bonds Due 2006	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$500,000,000	694308 GF 8
Floating Rate First Mortgage Bonds Due 2006	CEDE & CO	The Depository Trust Company* 55 Water Street New York, New York 10041	$100,000,000	694308 GF 8

*The Trustee holds the Bonds as custodian for The Depository Trust Company

EXPERT'S CERTIFICATE AS TO PROPERTY ADDITIONS

This Expert's Certificate as to Property Additions ("Certificate") is being executed and delivered by Charles M. Marre, Director of Capital Accounting & Payment Services of Pacific Gas and Electric Company (the "Company"), and by Kent M. Harvey, Senior Vice President, Chief Financial Officer and Treasurer of the Company, in connection with the proposed issuance of (a) 3.60% First Mortgage Bonds due 2009, 4.20% First Mortgage Bonds due 2011, 4.80% First Mortgage Bonds due 2014, 6.05% First Mortgage Bonds due 2034 and Floating Rate First Mortgage Bonds due 2006 in the aggregate principal amount of $6,700,000,000 and (b) $2,468,823,838 aggregate principal amount of Bonds to be issued to several credit facility providers in accordance with the Plan (collectively, the "New Bonds") under Section 5.02 of that certain Indenture of Mortgage, dated as of March 11, 2004, by and between the Company and BNY Western Trust Company, as trustee (the "Trustee"), as amended and supplemented (the "Indenture"). All capitalized terms used herein, unless otherwise defined herein, shall have the respective meanings assigned to such terms in the Indenture.

The undersigned hereby certify as to each of the following items in accordance with and as required pursuant to Section 5.02(b)(ii) of the Indenture:

1. The Property Additions designated by the Company to be made the basis for the authentication and delivery of the New Bonds are described as follows (the "Designated Property Additions"):

   See attached schedule.

2. All Designated Property Additions constitute Property Additions and are not subject to any Lien thereon prior to the Lien of the Indenture except Permitted Liens.

3. The Cost of the Designated Property Additions is $25,013,929,000.

4. None of the Designated Property Additions is subject to a Senior Lien securing Senior Lien Obligations, except for the lien of the 1920 Mortgage which, pursuant to Section 401 of the First Supplemental Indenture, dated as of March 23, 2004, between the Company and the Trustee, is disregarded for purposes of this Expert's Certificate.

5. The Net Cost of the Designated Property Additions is $25,013,929,000.

6. All Designated Property Additions are desirable for use in the conduct of the business, or one of the businesses, of the Company.

7. All Designated Property Additions, to the extent of the Property Additions Basis thereof which is to be made the basis of the authentication and delivery of the New Bonds, constitute, prior to the issuance of the New Bonds, Unfunded Property.

8. No portion of the Designated Property Additions was acquired, made or constructed through the delivery of securities or property other than cash; the amount of cash forming all or part of the Cost thereof was equal to or more than $25,013,929,000.

9. No portion of the Designated Property Additions includes property which constitutes an Acquired Facility.

10. In the judgment of the undersigned, the Fair Value to the Company, as of the date of this Certificate, of the Designated Property Additions is $13,755,008,000.

11. The Net Fair Value to the Company, as of the date of this Certificate, of the Designated Property Additions is $13,755,008,000.

12. The Designated Property Additions are subject to Liens of the character described in clause (f) of the definition of Permitted Liens, and such Liens do not, in the judgment of the undersigned, materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company; the Designated Property Additions are subject to Liens of the character described in clause (j) of the definition of Permitted Liens, and such Liens do not, in the judgment of the undersigned, materially impair the use by the Company of such Mortgaged Property for the purposes for which it is held by the Company; and the Designated Property Additions are subject to Liens of the character described in clause (q)(ii) of the definition of Permitted Liens, and the enforcement of such Liens would not, in the judgment of the signers, adversely affect the interests of the Company in such Mortgaged Property in any material respect.

13. The aggregate amount which shall be deducted under Section 1.03(b)(i) in respect of Funded Property Retired is equal to $0.00, and the aggregate amount which the Company has elected to be added under Section 1.03(b)(ii) in respect of Funded Property Retired is $0.00 (which amount to be added does not exceed the amount to be deducted above).

14. The Adjusted Property Additions Basis of the Designated Property Additions is $13,755,008,000.

15. Sixty-six and two-thirds percent ($66^2/_3\%$) of the Adjusted Property Additions Basis stated in Item 14 above is equal to $9,170,005,333.

16. The aggregate principal amount of New Bonds to be authenticated and delivered on the basis of the Designated Property Additions is equal to $9,168,823,838 which amount does not exceed the amount stated in Item 15 above.

17. The statements or opinions we have expressed herein are based upon examination of and/or investigation into the matters covered by:

(i) the Factual Certificate of the Director of Corporate Real Estate, dated the date hereof;

(ii) the Factual Certificate of the Director of Capital Accounting & Payment Services, dated the date hereof;

(iii) the Factual Certificate of the Vice President – General Services, dated the date hereof; and

(iv) the Factual Certificate of Assistant Treasurer of the Company, dated the date hereof.

Each of the undersigned further certifies as follows:

(a) I have read Section 5.02(b)(ii) of the Indenture and the related definitions of defined terms appearing in said Section 5.02(b)(ii).

(b) The statements or opinions I have expressed herein are also based upon my examination or investigation of records of the Company, including records relating to the properties of the Company constituting Designated Property Additions, and/or my review of information regarding such matters provided to me by responsible personnel within the Company operating at my direction or under my supervision. Through personal knowledge, through information provided by such personnel, and/or through reports and studies of the Company, I am familiar with (i) the general nature and description of said Designated Property Additions; (ii) the standards of construction followed by the Company and its records of costs incurred by it in constructing additions to and betterments of its plants and properties; and (iii) studies and records of the Company which show the historical cost of the Designated Property Additions and the accumulated depreciation thereon.

(c) In my opinion, I have made such examination or investigation as is necessary to enable me to express an informed opinion as to whether or not the Company has complied with the requirements of Section 5.02(b)(ii) of the Indenture.

(d) In my opinion, the Company has complied with the requirements of Section 5.02(b)(ii) of the Indenture.

Witness our hands this 23rd day of March, 2004.

Charles M. Marre
Director of Capital Accounting &
Payment Services

Kent M. Harvey
Senior Vice President, Chief
Financial Officer and Treasurer

Property to Fund Mortgage-Backed Bonds Upon Issuance

	Asset Class	Asset Class Descripton
Electric Distribution Plant	EDP36001	Land
	EDP36002	Land Rights
	EDP36101	Structures and Improvements
	EDP36102	Structures & Improvements Equipment
	EDP36200	Station Equipment
	EDP36300	Storage Battery Equipment
	EDP36400	Poles Towers and Fixtures
	EDP36500	Overhead Conductor & Devices
	EDP36600	Underground Conduit
	EDP36700	Underground Conductors & Devices
	EDP36801	Line Transformers- Overhead
	EDP36802	Line Transformers- Underground
	EDP36901	Services - Overhead
	EDP36902	Services - Underground
	EDP37000	Meters
	EDP37100	Installed on Customers' Premises
	EDP37200	Leased Property on Customers' Premises
	EDP37301	Streetlight & Signal Systems Overhead Conductors
	EDP37302	Streetlight & Signal Systems Overhead Conductors
	EDP37303	Streetlight & Signal Systems Lamps & Equipment
	EDP37304	Streetlight & Signal Systems Electroliers
Gas Distribution Plant		
	GDP37401	Land
	GDP37402	Land Rights
	GDP37500	Structures and Improvements
	GDP37601	Mains
	GDP37700	Compressor Station Equipment
	GDP37800	Measuring and Regulating Station Equipment - General
	GDP38000	Services
	GDP38100	Meters
	GDP38300	House Regulators
	GDP38500	Measuring & Regulating Station Equipment - Industrial
	GDP38600	Other Property on Customers' Premises
	GDP38700	Other Equipment
Electric Transmission Plant		
	ETP35001	Land
	ETP35002	Land Rights
	ETP35201	Structures and Improvements
	ETP35202	Structures & Improvements Equipment
	ETP35301	Station Equipment
	ETP35302	Power Plant Step Up Transformer
	ETP35400	Towers & Fixtures
	ETP35500	Poles & Fixtures
	ETP35600	Overhead Conductors & Devices-Tower Lines
	ETP35700	Underground Conduits
	ETP35800	Underground Conductors & Devices
	ETP35900	Roads & Trails

Property to Fund Mortgage-Backed Bonds Upon Issuance

	Asset Class	Asset Class Descripton
Gas Transmission Plant		
	GTE36511	Land PEP
	GTE36512	Land Rights PEP
	GTE36610	Compressor Station Structures PEP
	GTE36620	Measuring & Regulating Station Structures PEP
	GTE36630	Other Structures PEP
	GTE36700	Mains PEP
	GTE36800	Compressor Station Equipment PEP
	GTE36900	Measuring and Regulating Station Equipment
	GTE37100	Other Equipment PEP
	GTP36511	Land
	GTP36512	Land Rights
	GTP36610	Compressor Station Structures
	GTP36620	Measuring & Regulating Station Structures
	GTP36630	Other Structures
	GTP36700	Mains
	GTP36800	Compressor Station Equipment
	GTP36900	Measuring and Regulating Station Equipment
	GTP37100	Other Equipment
Common Plant		
	CMP38901	Land
	CMP38902	Land Rights
	CMP39000	Structures and Improvements
	CMP39101	Office Machines and Computer Equipment
	CMP39102	Personal Computer Hardware
	CMP39701	Communication Equipment Non Computer Based
	CMP39702	Communication Equipment Computer Based
	CMP39705	Communication Equipment Transmission Systems

FACTUAL CERTIFICATE OF
DIRECTOR OF CAPITAL ACCOUNTING & PAYMENT SERVICES

This Factual Certificate ("Certificate") is made as of March 23, 2004, by the undersigned, for reliance upon by Kent M. Harvey in connection with the execution and delivery of the Expert's Certificate (the "Expert's Certificate") pursuant to Section 5.02(b)(ii) of the Indenture of Mortgage, dated as of March 11, 2004, between the Company and BNY Western Trust Company, as trustee thereunder, as supplemented by the First Supplemental Indenture, dated as of March 23, 2004 (as so supplemented, the "Indenture). In connection with the Expert's Certificate, the undersigned hereby certifies the truth, accuracy and completeness of the following matters:

1. I am employed with the Company in the capacity of Director of Capital Accounting & Payment Services. I am familiar with the matters described in this Certificate.

2. I or others under my supervision have undertaken the following actions in connection with this Certificate:

Review Undertaken as Basis for Certificate

In connection with this Certificate, a review of the Form 1 reports for the years 1946 through 2002 was performed. The year 2003 was reviewed based on current reported data and prepared inputs to the 2003 Form 1 report, not yet filed as of this date. The specific section of the Form 1 reports reviewed included page references 108 – 109, Important Changes During the Year. Among the information reported in this section are properties acquired during the stated year.

For purposes of this Certificate, property acquisitions referenced in the above noted Form 1 reports were categorized into the following four categories: Electric and Gas Distribution Property, Electric Transmission Property, Gas Transmission Property and Common and General Property. Designated Property Additions consist of properties within each of the four categories. With respect to each such category, the following Acquired Facilities were identified (or no Acquired Facilities were identified):

a. Electric and Gas Distribution Property – As part of the review for electric and gas distribution property, the following assumption was made: given an estimated average service life for electric distribution plant of 40 years and for gas distribution plant of 41 years, any property acquisitions for electric distribution systems prior to 1964 and gas distribution systems prior to 1963 have been replaced with subsequent property additions and, therefore, are not considered to be Acquired Facilities for purposes of the Indenture. Since 1964 electric distribution properties with a cost of $346,000 were identified. There were five electric distribution systems acquired between 1964 and 1988 with no reported costs in the Form 1 report. Since 1963 there have been two gas properties acquired and with no reported costs in the Form 1 report. For those Acquired Facilities with no reported costs, no statement of value is being made or

estimated, given that the reported level of costs for the other identified transactions, where cost data does exist, is not materially significant. Therefore, the fair value, based on historical cost less depreciation ("HCLD"), of the Acquired Facilities constituting electric and gas distribution properties is estimated at $232,000.

b. Electric Transmission Property – One acquisition was identified as an Acquired Facility. In 1996 electric transmission property was acquired from the Southern San Joaquin Valley Power Authority. The gross cost of the Acquired Facility is $11,412,000 with a fair value, based on HCLD, equal to $8,948,000. Property additions subsequent to the acquisition date are not considered part of such Acquired Facility.

c. Gas Transmission Property – No Acquired Facilities were identified.

d. Common and General Property – No Acquired Facilities were identified.

3. Based on the foregoing, to the best of my knowledge, the aggregate fair value of Acquired Facilities that fall into the categories described in paragraphs 2.a., 2.b., 2.c. and 2.d. above is not more than $9,180,000.

4. The aggregate fair value of Property Additions that fall into the categories described in paragraphs 2.a., 2.b., 2.c. and 2.d. is $13,891,180,000.

5. As set forth in the Expert's Certificate to which this Certificate is attached, the aggregate fair value of the Designated Property Additions is $13,755,008,000.

6. Because the difference between the amounts in paragraphs 4 and 5 is greater than (a) the amount of Purchase Money Obligations and indebtedness of the Company for money borrowed that is secured by a Senior Lien referenced in the Factual Certificate of Assistant Treasurer, dated the date hereof, and (b) the aggregate fair value of Acquired Facilities set forth in paragraph 3, to the best of my knowledge, no Property Additions that are subject to Purchase Money Liens or Senior Liens securing Senior Lien Obligations and no Acquired Facilities are included in Designated Property Additions.

Capitalized terms used but not defined in this Certificate have the meanings assigned thereto in the Expert's Certificate or if not defined therein, in the Indenture.

IN WITNESS WHEREOF, the undersigned has executed this Certificate effective as of the date set forth above.

Charles M. Marre
Director of Capital Accounting & Payment Services

DOCSSF1:736382.

FACTUAL CERTIFICATE OF
DIRECTOR OF CORPORATE REAL ESTATE

This Factual Certificate ("Certificate") is made as of March 23, 2004, by the undersigned, for reliance upon by (a) Bruce Worthington, Senior Vice President and General Counsel (the "Company Counsel") of PG&E Corporation, the parent corporation of Pacific Gas and Electric Company (the "Company"), in connection with the issuance of an opinion letter dated of even date herewith (the "Opinion Letter") by the Company Counsel in favor of Lehman Brothers Inc. and UBS Securities LLC in connection with Section 5(f) of the Underwriting Agreement, dated March 17, 2004 (the "Indenture"), between the Company and Lehman Brothers Inc. and UBS Securities LLC, and (b) Charles M. Marre, Director of Capital Accounting & Payment Services of the Company and Kent M. Harvey, Senior Vice President, Chief Financial Officer and Treasurer of the Company in connection with the execution and delivery of the Expert's Certificate (the "Expert's Certificate") pursuant to Section 5.02(b)(ii) of the Indenture of Mortgage, dated as of March 11, 2004, between the Company and BNY Western Trust Company, as trustee thereunder (the "Trustee"). In connection with the Opinion Letter and the Expert's Certificate, the undersigned hereby certifies the truth, accuracy and completeness of the following matters:

1. I am employed with the Company in the capacity of Director of Corporate Real Estate.

2. I am familiar with the Company's standard operating procedures for the acquisition and disposition of interests in real property, and the granting of Liens (as defined below) thereon.

3. To the best of my knowledge after due inquiry with all persons deemed necessary or appropriate to verify or confirm the statement set forth herein, the only property owned by the Company in the state of California are in the counties listed on **Exhibit A** attached hereto.

4. With respect to the property of the Company in which a security interest has been granted to the Trustee pursuant to the Indenture (the "Mortgaged Property"), to the best of my knowledge after due inquiry with all persons deemed necessary or appropriate to verify or confirm the statement set forth herein, no mortgage, deed of trust, pledge, security interest, encumbrance, easement, lease, reservation, restriction, servitude, charge or similar right and any other lien of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, and any defect, irregularity, exception or limitation in record title or, when the context so requires, any lien, claim or interest arising from any of the foregoing (collectively, "Liens") currently encumber such Mortgaged Property, or any part thereof, other than Liens described on **Exhibit B** attached hereto.

Capitalized terms used but not defined in this Certificate have the meanings assigned thereto in the Opinion Letter, or if not defined therein, in the Indenture.

IN WITNESS WHEREOF, the undersigned has executed this Certificate effective as of the date set forth above.

Steven Coleman
Director of Corporate Real Estate

EXHIBIT A

Counties

Alameda
Alpine
Amador
Butte
Calaveras
Colusa
Contra Costa
El Dorado
Fresno
Glenn
Humboldt
Kern
Kings
Lake
Lassen
Madera
Marin
Mariposa
Mendocino
Merced
Modoc
Monterey
Napa
Nevada
Placer
Plumas
Sacramento
San Benito
San Bernardino
San Francisco
San Joaquin
San Luis Obispo
San Mateo
Santa Barbara
Santa Clara
Santa Cruz
Shasta
Sierra
Siskiyou
Solano
Sonoma
Stanislaus
Sutter
Tehama
Trinity
Tulare
Tuolumne
Yolo
Yuba

EXHIBIT B

PERMITTED LIENS

(a) Reserved;

(b) as to property acquired by the Company after March 11, 2004, Liens existing or placed thereon at the time of the acquisition thereof, which such Liens do not extend to any other Mortgaged Property;

(c) Liens for taxes, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith by appropriate proceedings;

(d) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' Liens, other Liens incident to construction, Liens or privileges of any employees of the Company for salary or wages earned, but not yet payable, and other Liens, including, without limitation, Liens for workers' compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings;

(e) Liens in respect of attachments, judgments or awards arising out of judicial or administrative proceedings (i) in an amount not exceeding Ten Million Dollars ($10,000,000) to the extent in existence as of the date hereof; or (ii) with respect to which the Company is (A) in good faith prosecuting an appeal or other proceeding for review and has secured a stay of execution pending such appeal or other proceeding or (B) has the right to prosecute an appeal or other proceeding for review;

(f) easements, encumbrances, leases, reservations or other rights of others in, on, over and/or across, and laws, regulations and restrictions affecting, and defects, irregularities, exceptions and limitations in title to, the Mortgaged Property or any part thereof that do not, in my opinion, materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company;

(g) conservation easements in accordance with the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Pacific Gas and Electric Company dated July 31, 2003, as Modified by Modifications Dated November 6, 2003 and December 19, 2003 and as modified by the Order dated February 27, 2004, Approving Technical Corrections to Plan of Reorganization and Supplementing Confirmation Order to Incorporate such Corrections, and all exhibits, supplements, appendices and schedules thereto, as the same may be altered, amended or modified from time to time (the "Plan");

(h) defects, irregularities, exceptions and limitations in title to real property subject to rights-of-way or other similar rights in favor of the Company or used or to be used by the Company primarily for right-of-way purposes or real property held under lease, easement, license or similar right; provided, however, that (i) the Company has

obtained from the apparent owner or owners of such real property a sufficient right, by the terms of the instrument granting such right-of-way, lease, easement, license or similar right, to the use thereof for the purposes for which the Company acquired the same, (ii) the Company has power under eminent domain or similar statutes to remove such defects, irregularities, exceptions or limitations or (iii) such defects, irregularities, exceptions and limitations may be otherwise remedied without undue effort or expense; and defects, irregularities, exceptions and limitations in title to flood lands, flooding rights and/or water rights;

(i) Liens securing indebtedness or other obligations neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest upon real property or rights in or relating to real property for the purpose of the distribution of electricity or gas, for the purpose of telephonic, telegraphic, radio, wireless or other electronic communication or otherwise for the purpose of obtaining rights-of-way;

(j) leases existing as of March 11, 2004, affecting Mortgaged Properties owned by the Company as of March 11, 2004 and renewals and extensions thereof, and leases affecting such Mortgaged Property entered into after March 11, 2004 or affecting Mortgaged Property acquired after March 11, 2004, which, in either case, (i) have respective terms of not more than ten (10) years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by the Company of such properties for the respective purposes for which they are held by the Company;

(k) Liens vested in lessors, licensors, franchisors or permittors for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or other amounts or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits and is not delinquent or is being contested in good faith and by appropriate proceedings;

(l) controls, restrictions, obligations, duties and/or other burdens imposed by federal, state, municipal or other law, or by rules, regulations or orders of the government of the United States or of any state or territory thereof or of the District of Columbia or of any county, municipality or other political subdivision of any thereof, or any department, agency, authority or other instrumentality of any of the foregoing ("Governmental Authorities") upon the Mortgaged Property or any part thereof or the operation or use thereof or upon the Company with respect to the Mortgaged Property or any part thereof or the operation or use thereof or with respect to any franchise, grant, license, permit or public purpose requirement, or any rights reserved to or otherwise vested in Governmental Authorities to impose any such controls, restrictions, obligations, duties and/or other burdens;

(m) rights which Governmental Authorities may have by virtue of franchises, grants, licenses, permits or contracts, or by virtue of law, to purchase, recapture or designate a purchaser of or order the sale of the Mortgaged Property or any part thereof, to terminate franchises, grants, licenses, permits, contracts or other rights or to regulate the property and business of the Company; and any and all obligations of the

Company correlative to any such rights;

(n) Liens required by law or governmental regulations (i) as a condition to the transaction of any business or the exercise of any privilege or license, (ii) to enable the Company to maintain self-insurance or to participate in any funds established to cover any insurance risks, (iii) in connection with workers' compensation, unemployment insurance, social security, any pension or welfare benefit plan or (iv) to share in the privileges or benefits required for companies participating in one or more of the arrangements described in clauses (ii) and (iii) above;

(o) Liens on the Mortgaged Property or any part thereof which are granted by the Company to secure duties or public or statutory obligations or to secure, or serve in lieu of, surety, stay or appeal bonds;

(p) rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber and/or any electric capacity or energy, gas, water, steam and any other products, developed, produced, manufactured, generated, purchased or otherwise acquired by the Company or by others on property of the Company;

(q) (i) rights and interests of persons other than the Company arising out of contracts, agreements and other instruments to which the Company is a party and which relate to the common ownership or joint use of property; and (ii) all Liens on the interests of Persons other than the Company in property owned in common by such persons and the Company the enforcement of which Liens would not, in my opinion, adversely affect the interests of the Company in such property in any material respect;

(r) restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or a public utility or public service corporation;

(s) Liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made;

(t) grants of easements, ground leases or rights-of-way in, upon, over and/or across the property or rights-of-way of the Company for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines, railways, removal of coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment; provided, however, that such grants do not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by the Company;

(u) any Lien securing indebtedness for the payment, prepayment or redemption of which there has been irrevocably deposited in trust with the trustee or other holder of such Lien moneys and/or investment property which (together with the interest reasonably expected to be earned from the investment and reinvestment in investment property of the moneys and/or the principal of and interest on the investment property so deposited) are sufficient for such purpose; provided, however, that with respect to indebtedness to be redeemed or otherwise prepaid prior to the stated maturity date

thereof, any notice requisite to such redemption or prepayment has been given in accordance with the instrument creating such Lien or irrevocable instructions to give such notice has been given to such trustee or other holder;

(v) Any of the following Liens with respect to any of the Mortgaged Property being acquired or disposed of by the Company or being released from the lien of the Indenture, but only to the extent the Company has requested that the Trustee subordinate the lien of the Indenture to such liens (collectively, "Purchase Money Liens"), a Lien on such property which:

(i) is taken or retained by the transferor of such property to secure all or part of the purchase price thereof;

(ii) is granted to one or more persons other than the transferor which, by making advances or incurring an obligation, give value to enable the grantor of such Lien to acquire rights in or the use of such property;

(iii) is granted to any other person in connection with the release of such property from the lien of the Indenture on the basis of the deposit with the Trustee of obligations secured by such Lien on such property (as well as any other property subject thereto);

(iv) is held by a trustee or agent for the benefit of one or more persons described in clause (i), (ii) and/or (iii) above, provided that such Lien may be held, in addition, for the benefit of one or more other persons which shall have theretofore given, or may thereafter give, value to or for the benefit or account of the grantor of such Lien for one or more other purposes; or

(v) otherwise constitutes a purchase money mortgage or a purchase money security interest under applicable law;

and, without limiting the generality of the foregoing, Purchase Money Liens include include any Lien described in clauses (a) through (e) above whether or not such Lien (x) shall permit the issuance or other incurrence of additional indebtedness secured by such Lien on such property, (y) shall permit the subjection to such Lien of additional property and the issuance or other incurrence of additional indebtedness on the basis thereof and/or (z) shall have been granted prior to the acquisition, disposition or release of such property, shall attach to or otherwise cover property other than the property being acquired, disposed of or released and/or shall secure obligations issued prior and/or subsequent to the issuance of the obligations delivered in connection with such acquisition, disposition or release;

(w) Liens contemplated by the Plan;

(x) the Lien of the First and Refunding Mortgage, dated as of December 1, 1920, between the Company and Trustee, as amended, prior to the effective date of the Plan;

(y) other Liens which were in existence on March 11, 2004 and do not exceed Twenty Million Dollars ($20,000,000);

(z) other Liens of whatever nature or kind which do not, in the aggregate, exceed Fifty Million Dollars ($50,000,000) to the extent in existence as of the date hereof; and

(aa) the Lien in favor of the Trustee pursuant to the Indenture as security for the performance of the obligations of the Company to pay the Trustee compensation for services rendered under the Indenture, reimburse the Trustee for reasonable expenses, disbursements and advances and to indemnify the Trustee in accordance with the Indenture.

FACTUAL CERTIFICATE OF
VICE PRESIDENT – GENERAL SERVICES

This Factual Certificate ("Certificate") is made as of March 23, 2004, by the undersigned, for reliance upon by (a) Bruce Worthington, Senior Vice President and General Counsel of PG&E Corporation, and Orrick, Herrington & Sutcliffe LLP, in connection with the issuance of opinion letters relating to the Indenture of Mortgage dated as of March 11, 2004, as supplemented (the "Indenture"), between the Company and BNY Western Trust Company, as indenture trustee (the "Trustee"), and the Underwriting Agreement, dated March 18, 2004, among Pacific Gas and Electric Company (the "Company") and Lehman Brothers Inc. and UBS Securities LLC, as representatives of the underwriters named in Schedule I thereto, and (b) Kent M. Harvey, Senior Vice President, Chief Financial Officer and Treasurer of the Company and Charles M. Marre, Director of Capital Accounting and Payment Services of the Company, in connection with the execution and delivery of the Expert's Certificate dated March 23, 2004 (the "Expert's Certificate") pursuant to Section 5.02(b)(ii) of the Indenture. In connection with such opinion letters and the Expert's Certificate, the undersigned hereby certifies the truth, accuracy and completeness of the following matters:

1. I am employed with the Company in the capacity of Vice President – General Services. I am familiar with the matters described in this Certificate.

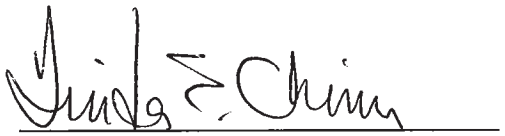
2. A mailing address of the Company is P.O. Box 770000, San Francisco, CA 94177.

3. The Company is primarily engaged in the business of transmitting or producing and transmitting electricity or gas.

4. I have reviewed (i) a report (the "UCC Search Report") of the California Secretary of State, dated March 11, 2004, as to financing statements naming Pacific Gas and Electric Company as debtor and on file in the Uniform Commercial Code records of the California Secretary of State as of March 5, 2004 (the "UCC Search Date"), a copy of which is attached hereto, and (ii) the financing statements identified in the UCC Search Report.

5. Except with respect to Permitted Liens (as defined in the Indenture), the UCC Search Report identifies no person who has filed with the California Secretary of State prior to the UCC Search Date a financing statement naming Pacific Gas and Electric Company as the debtor and describing the Mortgaged Property as defined in the Indenture (the "Mortgaged Property") as collateral; provided, however, that I did not determine whether any of the Mortgaged Property constitutes proceeds of any collateral covered by any financing statement identified in the UCC Search Report.

IN WITNESS WHEREOF, the undersigned has executed this Certificate effective as of the date set forth above.



Linda E. Chinn

[Signature page to Factual Certificate of Vice President –General Services]

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

SEARCH REQUESTED ON: MARCH 11, 2004

PACIFIC GAS AND ELECTRIC COMPANY
@ANY ADDRESS

FINANCING STATEMENT FILED ON JUL 08, 1965 AT 0943 FILE NO. 65-085379

DEBTOR:	PACIFIC GAS AND ELECTRIC COMPANY 940-74-2640 245 MARKET ST SAN FRANCISCO, CA 94106
SECURED PARTY:	BNY WESTERN TRUST COMPANY, AS TRUSTEE 550 KEARNY ST, STE 600 SAN FRANCISCO, CA 94108
	FIRST NATIONAL CITY BANK 55 WALL ST NEW YORK, NY 10015
AMENDMENT:	JUL 24, 1969 AT 0800
AMENDMENT:	FEB 16, 1975 AT 1000
AMENDMENT:	JUN 11, 1979 AT 1134
AMENDMENT:	SEP 12, 1983 AT 1115
AMENDMENT:	OCT 13, 1983 AT 1150
AMENDMENT:	DEC 08, 1986 AT 1400
AMENDMENT:	JUL 24, 1988 AT 0800
AMENDMENT:	JAN 13, 1989 AT 0800
RELEASE:	JAN 13, 1989 AT 0800
ASSIGNMENT:	DEC 08, 1997 AT 1507
RELEASE:	DEC 08, 1997 AT 1507
RELEASE:	JUL 02, 1998 AT 1527

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) JUL 08, 1965 AT 0943 FILE NO. 65-085379

RELEASE: MAY 11, 1999 AT 1539

RELEASE: JUN 25, 1999 AT 0931

RELEASE: OCT 19, 1999 AT 0800

FINANCING STATEMENT FILED ON MAR 27, 1986 AT 0800 FILE NO. 86-077822

DEBTOR: PACIFIC GAS & ELECTRIC COMPANY
77 BEALE ST
SAN FRANCISCO, CA

SECURED PARTY: STORAGE TECHNOLOGY CORP
2270 S 88TH ST
LOUISVILLE, CO

FINANCING STATEMENT FILED ON OCT 09, 1992 AT 1202 FILE NO. 92-219047

DEBTOR: PACIFIC GAS & ELECTRIC CO
940-74-2640
10900 N BLANEY AVE
CUPERTINO, CA

SECURED PARTY: OCE BRUNING INC
1800 BRUNING DR W
ITASCA, IL

FINANCING STATEMENT FILED ON JUL 21, 1997 AT 1354 FILE NO. 9720360729
LAPSE DATE JUL 22, 2007

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
POB 770000 MAIL CODE B8D
SAN FRANCISCO, CA 94177

SECURED PARTY: MERRITT COMMUNITY CAPITAL FUND V, L.P., A CALIFORNIA LIMITEDPARTNERSHIP
1736 FRANKLIN ST STE 600
OAKLAND, CA 94612

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) JUL 21, 1997 AT 1354 FILE NO. 9720360729

CONTINUATION: JUL 19, 2002 AT 1700

FINANCING STATEMENT FILED ON SEP 19, 1997 AT 1533 FILE NO. 9726560714
LAPSE DATE SEP 19, 2007

DEBTOR: PACIFIC GAS & ELECTRIC COMPANY
245 MARKET ST
SAN FRANCISCO, CA 94105

SECURED PARTY: UNC METCALF, SERVICING INC. D/B/A UNC INDUSTRIAL POWER
2381 INTERSTATE HWY 20
ODESSA, TX 79761

ASSIGNEE: BTM CAPITAL CORPORATION
125 SUMMER ST
BOSTON, MA 02110

CONTINUATION: MAY 24, 2002 AT 1227

FINANCING STATEMENT FILED ON OCT 14, 1997 AT 1640 FILE NO. 9728961082

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
77 BEALE ST 8TH FL RM 835
SAN FRANCISCO, CA 94105

SECURED PARTY: GREAT-WEST LIFE AND ANNUITY INSURANCE COMPANY
8515 EAST ORCHARD RD, 2ND FL
ENGLEWOOD, CO 80111

ASSIGNMENT: OCT 20, 1997 AT 1634

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

FINANCING STATEMENT FILED ON DEC 02, 1997 AT 1058 FILE NO. 9733760666

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE ST
SAN FRANCISCO, CA 94105

SECURED PARTY: PG&E FUNDING LLC
245 MARKET ST., RM 424
SAN FRANCISCO, CA 94105

ASSIGNEE: BANKERS TRUST COMPANY OF CALIFORNIA, N.A., AS NOTE TRUSTEE
300 S GRAND AVE., 42ND FL
LOS ANGELES, CA 90071

AMENDMENT: OCT 23, 2001 AT 1504

FINANCING STATEMENT FILED ON DEC 02, 1997 AT 1058 FILE NO. 9733760680

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE ST
SAN FRANCISCO, CA 94105

SECURED PARTY: PG&E FUNDING LLC
245 MARKET ST., RM 424
SAN FRANCISCO, CA 94105

ASSIGNEE: BANKERS TRUST COMPANY OF CALIFORNIA, N.A., AS NOTE TRUSTEE
300 S GRAND AVE., 42ND FL
LOS ANGELES, CA 90071

AMENDMENT: OCT 23, 2001 AT 1504

FINANCING STATEMENT FILED ON JUL 10, 1998 AT 0800 FILE NO. 9819560128
LAPSED DATE JUL 10, 2003

DEBTOR: PACIFIC GAS & ELECTRIC COMPANY
343 SACRAMENTO
AUBURN, CA 95603

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) JUL 10, 1998 AT 0800 FILE NO. 9819560128

SECURED PARTY: DELL FINANCIAL SERVICES, L.P.
14050 SUMMIT DR BLDG. A STE 101
AUSTIN, TX 78758

FINANCING STATEMENT FILED ON JUL 13, 1998 AT 0800 FILE NO. 9819660351
LAPSED DATE JUL 14, 2003

DEBTOR: PACIFIC GAS AND ELECTRIC
6402 SANTA TERESA BLVD
SAN JOSE, CA 95119

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: SANWA LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON AUG 03, 1998 AT 0800 FILE NO. 9821760093
LAPSED DATE AUG 04, 2003

DEBTOR: PACIFIC GAS & ELECTRIC
111 ALMADEN BLVD
SAN JOSE, CA 95110

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: SANWA LEASING CORPORATION
POB 7023
TROY, MI 480077023

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

FINANCING STATEMENT FILED ON OCT 13, 1998 AT 0800 FILE NO. 9829460219
LAPSED DATE OCT 14, 2003

DEBTOR: PACIFIC GAS AND ELECTRIC CO
111 ALMADEN BLVD
SAN JOSE, CA 95110

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: SANWA LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON OCT 13, 1998 AT 0800 FILE NO. 9829460222
LAPSED DATE OCT 14, 2003

DEBTOR: PACIFIC GAS AND ELECTRIC CO
701 CREEKSIDE WY
CAMPBELL, CA 95008

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: SANWA LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON OCT 20, 1998 AT 1201 FILE NO. 9829660014
LAPSED DATE OCT 20, 2003

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
1 MRKET PLZ, SPEAR TWR
SAN FRANCISCO, CA 94501

SECURED PARTY: GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
8515 E ORCHARD RD
ENGLEWOOD, CO 80111

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) OCT 20, 1998 AT 1201 FILE NO. 9829660014

ASSIGNMENT: NOV 05, 1998 AT 1551

ASSIGNMENT: NOV 05, 1998 AT 1551

FINANCING STATEMENT FILED ON NOV 06, 1998 AT 0800 FILE NO. 9831661558
LAPSED DATE NOV 06, 2003

DEBTOR: PACIFIC GAS AND ELECTRIC CO
1524 N CARPENTER RD
MODESTO, CA 95350

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: SANWA LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON OCT 13, 1999 AT 1240 FILE NO. 9929160898
LAPSE DATE OCT 13, 2004

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
1 MARKET PLZ, SPEAR TWR
SAN FRANCISCO, CA 94501

SECURED PARTY: GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
8515 E ORCHARD RD
ENGLEWOOD, CO 80111

ASSIGNMENT: OCT 22, 1999 AT 1459

ASSIGNMENT: OCT 22, 1999 AT 1459

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

FINANCING STATEMENT FILED ON APR 05, 2000 AT 1645 FILE NO. 0010160158
LAPSE DATE APR 05, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
ONE MARKET PLZ SPEAR ST TWR
SAN FRANCISCO, CA 94105

SECURED PARTY: GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
8515 E ORCHARD RD
ENGLEWOOD, CO 80111

ASSIGNMENT: APR 05, 2000 AT 1645

ASSIGNMENT: APR 05, 2000 AT 1645

FINANCING STATEMENT FILED ON APR 19, 2000 AT 0800 FILE NO. 0011760055
LAPSE DATE APR 19, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
1919 WEBSTER ST 4TH FL
OAKLAND, CA 94612

SECURED PARTY: DELL FINANCIAL SERVICES, L.P.
14050 SUMMIT DR BLDG A STE 101
AUSTIN, TX 78758

FINANCING STATEMENT FILED ON APR 19, 2000 AT 0800 FILE NO. 0011760450
LAPSE DATE APR 19, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
1919 WEBSTER ST, 4TH FL
OAKLAND, CA 94612

SECURED PARTY: DELL FINANCIAL SERVICES, L.P.
14050 SUMMIT DR BLDG A, STE 101
AUSTIN, TX 78758

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

FINANCING STATEMENT FILED ON JUN 20, 2000 AT 0800 FILE NO. 0017660088
LAPSE DATE JUN 20, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC CO
10900 N BLANEY
CUPERTINO, CA 95014

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: FLEET LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON JUN 20, 2000 AT 0800 FILE NO. 0017660095
LAPSE DATE JUN 20, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC CO
111 ALMADEN BLVD
SAN JOSE, CA 95115

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: FLEET LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON JUN 20, 2000 AT 0800 FILE NO. 0017660097
LAPSE DATE JUN 20, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC CO
10900 N BLANEY AVE
CUPERTINO, CA 95014

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) JUN 20, 2000 AT 0800 FILE NO. 0017660097

ASSIGNEE: FLEET LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON JUN 20, 2000 AT 0800 FILE NO. 0017660101
LAPSE DATE JUN 20, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC CO
6402 SANTA THERESA BLVD
SAN FRANCISCO, CA 94120

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: FLEET LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON JUN 20, 2000 AT 0800 FILE NO. 0017660106
LAPSE DATE JUN 20, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC CO
356 E ALISAL ST
SALINAS, CA 93901

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: FLEET LEASING CORPORATION
POB 7023
TROY, MI 480077023

REQUEST NO: 04076-R-0012 PAGE: 10

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

FINANCING STATEMENT FILED ON JUN 20, 2000 AT 0800 FILE NO. 0017660111
LAPSE DATE JUN 20, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC CO
10900 N BLANEY AVE
CUPERTINO, CA 95014

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILEL, NY 11747-3177

ASSIGNEE: FLEET LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON JUN 26, 2000 AT 0800 FILE NO. 0018160485
LAPSE DATE JUN 27, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC
10900 N BLANEY
CUPERTINO, CA 95014

SECURED PARTY: PANASONIC CORPORATION
10 MELVILLE RD
MELVILLE, NY 11747-3177

ASSIGNEE: FLEET LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON JUN 29, 2000 AT 0800 FILE NO. 0018860574
LAPSE DATE JUN 29, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC
4101 WIBLE RD
BAKERSFIELD, CA 93309

SECURED PARTY: PANASONIC COMMUNICATIONS
10 MELVILLE RD
MELVILLE, NY 11747-3177

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) JUN 29, 2000 AT 0800 FILE NO. 0018860574

ASSIGNEE: FLEET LEASING CORPORATION
POB 7023
TROY, MI 480077023

FINANCING STATEMENT FILED ON JUL 14, 2000 AT 0800 FILE NO. 0020260431
LAPSE DATE JUL 14, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
970-74-2640
77 BEALE ST 27TH FL
SAN FRANCISCO, CA 94105-1890

SECURED PARTY: PACIFIC GAS AND ELECTRIC HOUSING FUND, L.P.
1736 FRANKLIN ST STE 600
OAKLAND, CA 94612

FINANCING STATEMENT FILED ON NOV 14, 2000 AT 1636 FILE NO. 0032360918
LAPSE DATE NOV 14, 2005

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
1 MARKET PLZ SPEAR ST TOWER
SAN FRANCISCO, CA 94105

SECURED PARTY: GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY
8515 E ORCHARD RD
ENGLEWOOD, CO 80111

ASSIGNMENT: NOV 22, 2000 AT 1640

ASSIGNMENT: NOV 22, 2000 AT 1640

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

FINANCING STATEMENT FILED ON: FEB 05, 2001 AT 0800 — FILE NO. 0103761007
LAPSE DATE: FEB 06, 2006

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
245 MARKET ST
SAN FRANCISCO, CA 94105

SECURED PARTY: NORTEL NETWORKS INC.
4000 VETERANS MEMORIAL PKWY
BOHEMIA, NY 11716

FINANCING STATEMENT FILED ON: FEB 06, 2001 AT 1623 — FILE NO. 0103960869
LAPSE DATE: FEB 06, 2006

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE ST
SAN FRANCISCO, CA 94105

SECURED PARTY: BNY WESTERN TRUST COMPANY
550 KEARNY STREET, SUITE 600
SAN FRANCISCO, CA 94108

U.S. TRUST COMPANY, NATIONAL ASSOCIATION, AS
COLLATERAL AGENT
ONE EMBARCADERO CTR STE 2050
SAN FRANCISCO, CA 94111

ASSIGNMENT: NOV 13, 2003 AT 1103

FINANCING STATEMENT FILED ON: FEB 16, 2001 AT 0800 — FILE NO. 0105460921
LAPSE DATE: FEB 16, 2006

DEBTOR: PACIFIC GAS & ELECTRIC CO
77 BEALE ST
SAN FRANCISCO, CA 94105-1814

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) FEB 16, 2001 AT 0800 FILE NO. 0105460921

SECURED PARTY: IBM CORPORATION
1 N CASTLE DR
ARMONK, NY 10504-2575

FINANCING STATEMENT FILED ON JUL 17, 2001 AT 1700 FILE NO. 0120060036
LAPSE DATE JUL 17, 2006

DEBTOR: PACIFIC GAS & ELECTRIC
885 EMBARCADERO DR
WEST SACRAMENTO, CA 95605

SECURED PARTY: UNISYS CORPORATION
POB 500 MAIL STOP E6-106B
BLUE BELL, PA 19424

FINANCING STATEMENT FILED ON JUL 01, 2002 AT 1700 FILE NO. 0218361092
LAPSE DATE JUL 01, 2007

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
111 ALMADEN BLVD., 3RD FLR.
SAN JOSE, CA 95113

SECURED PARTY: AVAYA INC.
4120 DUBLIN BLVD., 1ST FLR.
DUBLIN, CA 94568

FINANCING STATEMENT FILED ON JUL 01, 2002 AT 1700 FILE NO. 0218361093
LAPSE DATE JUL 01, 2007

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
650 O ST., 1ST FLR.
FRESNO, CA 93721

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) JUL 01, 2002 AT 1700 FILE NO. 0218361093

SECURED PARTY: AVAYA INC.
4120 DUBLIN BLVD., 1ST FLR.
DUBLIN, CA 94568

FINANCING STATEMENT FILED ON JUL 01, 2002 AT 1700 FILE NO. 0218361095
LAPSE DATE JUL 01, 2007

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
2740 GATEWAY OAKS D, 1ST FLR
SACRAMENTO, CA 95833

SECURED PARTY: AVAYA INC.
4120 DUBLIN BLVD., 1ST FLR.
DUBLIN, CA 94588

FINANCING STATEMENT FILED ON JUL 15, 2002 AT 1700 FILE NO. 0219761349
LAPSE DATE JUL 15, 2007

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
77 BEALE STREET
SAN FRANCISCO, CA 94106

SECURED PARTY: 1994 - OAKLAND REGIONAL HOUSING PARTNERSHIP
ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP
1736 FRANKLIN STREET, SUITE 600
OAKLAND, CA 94612

FINANCING STATEMENT FILED ON SEP 26, 2002 AT 1700 FILE NO. 0227060137
LAPSE DATE SEP 26, 2007

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
ONE MARKET SPEAR TWR STE 2400
SAN FRANCISCO, CA 94105

SECURED PARTY: IBM CORPORATION
1 NORTH CASTLE DRIVE
ARMONK, NY 10504-2575

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STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) SEP 26, 2002 AT 1700 FILE NO. 0227060137

TERMINATION: DEC 04, 2002 AT 1700

FINANCING STATEMENT FILED ON OCT 16, 2002 AT 1700 FILE NO. 0229160940
LAPSE DATE OCT 16, 2007

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
ONE MARKET SPEAR TWR STE 2400
SAN FRANCISCO, CA 94105

SECURED PARTY: IBM CORPORATION
1 NORTH CASTLE DRIVE
ARMONK, NY 10504-2575

TERMINATION: DEC 04, 2002 AT 1700

FINANCING STATEMENT FILED ON NOV 13, 2002 AT 1700 FILE NO. 0231860838
LAPSE DATE NOV 13, 2007

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
ONE MARKET SPEAR TWR STE 2400
SAN FRANCISCO, CA 94105

SECURED PARTY: IBM CORPORATION
1 NORTH CASTLE DRIVE
ARMONK, NY 10504-2575

TERMINATION: DEC 31, 2002 AT 1700

FINANCING STATEMENT FILED ON DEC 30, 2002 AT 1700 FILE NO. 0300360568
LAPSE DATE DEC 30, 2007

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
ONE MARKET SPEAR TWR STE 2400
SAN FRANCISCO, CA 94105

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) DEC 30, 2002 AT 1700 FILE NO. 0300360568

SECURED PARTY: ACCURATE AIR ENGINEERING, INC.
PO BOX 798
LODI, CA 95241-0798

TERMINATION: APR 07, 2003 AT 1700

FINANCING STATEMENT FILED ON MAR 17, 2003 AT 1700 FILE NO. 0307860168
LAPSE DATE MAR 17, 2008

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
ONE MARKET SPEAR TWR STE 2400
SAN FRANCISCO, CA 94105

SECURED PARTY: ACCURATE AIR ENGINEERING INC.
PO BOX 798
LODI, CA 95241

TERMINATION: APR 18, 2003 AT 1700

FINANCING STATEMENT FILED ON MAY 15, 2003 AT 1700 FILE NO. 0313960359
LAPSE DATE MAY 15, 2008

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
77 BEALE STREET
SAN FRANCISCO, CA 94105

SECURED PARTY: LEASING INNOVATIONS, INCORPORATED
437 S. HIGHWAY 101, SUITE 104
SOLANA BEACH, CA 92075

PEOPLES NATIONAL BANK OF KEWANEE
207 NORTH TREMONT STREET
KEWANEE, IL 61443

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) MAY 15, 2003 AT 1700 FILE NO. 0313960359

ASSIGNMENT: MAY 27, 2003 AT 1700

FINANCING STATEMENT FILED ON MAY 15, 2003 AT 1700 FILE NO. 0313960361
LAPSE DATE MAY 15, 2008

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
77 BEALE STREET
SAN FRANCISCO, CA 94105

SECURED PARTY: LEASING INNOVATION, INCORPORATED
437 S. HIGHWAY 101, SUITE 104
SOLANA BEACH, CA 92075

MCVILLE STATE BANK
201 S. MAIN STREET
MCVILLE, ND 58254

THE BANK OF COMMERCE & TRUST COMPANY
201 W HARVEY
WELLINGTON, KS 67152

ASSIGNMENT: MAY 27, 2003 AT 1700

ASSIGNMENT: JUN 10, 2003 AT 1700

FINANCING STATEMENT FILED ON MAY 27, 2003 AT 1700 FILE NO. 0314960749
LAPSE DATE MAY 27, 2008

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE STREET
SAN FRANCISCO, CA 94105

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) MAY 27, 2003 AT 1700 FILE NO. 0314960749

SECURED PARTY: CHEVRON TEXACO NATURAL GAS, A DIVISION OF CHEVRON U.S.A. INC
1111 BAGBY STREET, SUITE 4373-3
HOUSTON, TX 77002

FINANCING STATEMENT FILED ON JUN 02, 2003 AT 1700 FILE NO. 0315560546
LAPSE DATE JUN 02, 2008

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
77 BEALE STREET
SAN FRANCISCO, CA 94105

SECURED PARTY: GERALD KARPMAN, M.D. MEDICAL CORPORATION MONEY PURCHASE PLAN
390 LAS POSAS ROAD, SUITE 108
CAMARILLO, CA 93010

LEASING INNOVATIONS, INCORPORATED
437 S. HIGHWAY 101, SUITE 104
SOLANA BEACH, CA 92075

VALLEY STATE BANK
110 WEST AVENUE B
SYRACUSE, KS 67878

ASSIGNMENT: AUG 11, 2003 AT 1700

ASSIGNMENT: AUG 11, 2003 AT 1700

FINANCING STATEMENT FILED ON JUL 16, 2003 AT 1700 FILE NO. 0320260359
LAPSE DATE JUL 16, 2008

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
3301 CROW CANYON ROAD
SAN RAMON, CA 94583

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) JUL 16, 2003 AT 1700 FILE NO. 0320260359

SECURED PARTY: OCE-USA, INC.
5450 NORTH CUMBERLAND
CHICAGO, IL 60656-1494

FINANCING STATEMENT FILED ON DEC 01, 2003 AT 1700 FILE NO. 0333960474
LAPSE DATE DEC 01, 2008

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
ONE MARKET SPEAR TWR STE 2400
SAN FRANCISCO, CA 94105

SECURED PARTY: WILLIAMS SCOTSMAN, INC.
8211 TOWN CENTER DRIVE
BALTIMORE, MD 21236

FINANCING STATEMENT FILED ON DEC 01, 2003 AT 1700 FILE NO. 0333960893
LAPSE DATE DEC 01, 2008

DEBTOR: PACIFIC GAS AND ELECTRIC COMPANY
940-74-2640
77 BEALE STREET
SAN FRANCISCO, CA 94105

SECURED PARTY: FIRST STATE BANK OF LIVINGTON
112 W. POLK
LIVINGTON, TX 77351

LEASING INNOVATIONS, INCORPORATED
437 S. HIGHWAY 101, SUITE 104
SOLANA BEACH, CA 92075

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

(CONTINUED) DEC 01, 2003 AT 1700 FILE NO. 0333960893

ASSIGNMENT: DEC 19, 2003 AT 1700

THE UNDERSIGNED FILING OFFICER HEREBY CERTIFIES THAT THE ABOVE LISTING IS A RECORD OF ALL PRESENTLY ACTIVE FINANCING STATEMENTS, TAX LIENS, ATTACHMENT LIENS AND JUDGMENT LIENS, INCLUDING ANY CHANGE DOCUMENTS RELATING TO THEM, WHICH NAME THE ABOVE DEBTOR AND ARE ON FILE IN MY OFFICE AS OF MARCH 05, 2004 AT 1700 HOURS.

KEVIN SHELLEY
SECRETARY OF STATE

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

SIMILAR LIST

THE SEARCH FOR INFORMATION UNDER THE ABOVE NAME AND ADDRESS ALSO REVEALED THE FOLLOWING FILINGS FOR DEBTORS WITH THE SAME OR SIMILAR NAME. THIS ADDITIONAL INFORMATION IS NOT PART OF THE ATTACHED SEARCH REPORT AND DOES NOT REPRESENT A COMPLETE LISTING OF DEBTOR NAMES WHICH MAY BE CONSIDERED SIMILAR TO THE NAME UNDER WHICH THE SEARCH WAS MADE.

IF COPIES OF FILINGS ARE ORDERED, YOUR REQUEST MUST SHOW THE INFORMATION EXACTLY AS PRINTED BELOW. REMITTANCE MUST ACCOMPANY YOUR ORDER.

FILE NUMBER	DEBTOR	
9903260173	PACIFIC GAS	
	1705 W CAPITOL AVE	W SACRAMENTO, CA 95691
9912160711	MR. GAS	
	115-24-2447	
	50652 BRACUS CR	COARSEGOLD, CA 93614
9919360712	PACIFIC GAS AND ELECTRIC HOUSING FUND, L.P., A CALIFORNIA LIMITED PARTNERSHIP	
	1736 FRANKLIN ST, STE 600	OAKLAND, CA 94612
9929160895	PACIFIC GAS AND ELECTRIC HOUSING FUND, L.P., A CALIFORNIA LIMITED PARTNERSHIP	
	943-25-9869	
	1736 FRANKLIN ST STE 600	OAKLAND, CA 94612
0001161029	PACIFIC GAS AND ELECTRIC HOUSING FUND, L.P., A CALIFORNIA LIMITED PARTNERSHIP	
	1736 FRANKLIN ST, STE 600	OAKLAND, CA 94612
0010160273	PACIFIC GAS AND ELECTRIC HOUSING FUND, L.P.	
	943-25-9869	
	1736 FRANKLIN ST STE 600	OAKLAND, CA 94612
0032360926	PACIFIC GAS AND ELECTRIC HOUSING FUND, L.P.	
	943-25-9869	
	1736 FRANKLIN ST STE 600	OAKLAND, CA 94612
0102360760	PACIFIC GAS & ELECTRIC HOUSING FUND, A CALIFORNIA LIMITED PARTNERSHIP	
	1736 FRANKLIN ST #600	OAKLAND, CA 94612
0102560270	PACIFIC GAS & ELECTRIC HOUSING FUND, L.P.	
	1736 FRANKLIN ST #600	OAKLAND, CA 94612
0214460651	THE GAS COMPANY	
	555 SOUTH GRAND AVENUE	LOS ANGELES, CA 90013

REQUEST NO: 04076-R-0012

STATE OF CALIFORNIA

KEVIN SHELLEY
SECRETARY OF STATE
SACRAMENTO

FILE NUMBER	DEBTOR
0333060164	GAS & CO 545 E ROSECRANS AVE GARDENA, CA 90247

REQUEST NO: 04076-R-0012

FACTUAL CERTIFICATE OF
ASSISTANT TREASURER

This Factual Certificate ("Certificate") is made as of March 23, 2004 by the undersigned for reliance upon by Charles M. Marre, Director of Capital Accounting & Payment Services of the Company and Kent M. Harvey, Senior Vice President, Chief Financial Officer and Treasurer of the Company in connection with the execution and delivery of the Expert's Certificate (the "Expert's Certificate") pursuant to Section 5.02(b)(ii) of the Indenture of Mortgage, dated as of March 11, 2004, between the Company and BNY Western Trust Company, as trustee thereunder (the "Trustee"). In connection with the Expert's Certificate, the undersigned hereby certifies the truth, accuracy and completeness of the following matters:

1. I am the Assistant Treasurer of the Company.

2. In my position as Assistant Treasurer, I am familiar with the policies of the Company with respect to the purchase or acquisition of property, both real and personal.

3. In my position as Assistant Treasurer, I am familiar with the Company's operating procedures with respect to the purchase or acquisition of property, both real and personal.

4. It is the customary practice of the Company to purchase or acquire property, both real and personal, through the payment of cash and not by the issuance of securities of the Company as payment for such purchase or acquisition price.

5. To the best of my knowledge, except for the lien of the 1920 Mortgage, the Company does not have obligations secured by purchase money liens or debt for money borrowed secured by a lien on Mortgaged Property that is senior to the lien of the Indenture in excess of $70,000,000.

Capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

IN WITNESS WHEREOF, the undersigned has executed this Certificate effective as of the date set forth above.

Michael J. Donnelly
Assistant Treasurer

March 11, 2004

BY HAND DELIVERY

North American Title Company
4255 Hopyard Road
Pleasanton, CA 94588
Attn: Pam Thompson
Jim White

Re: Indenture of Mortgage ("Indenture") between Pacific Gas and Electric Company, as issuer (the "Company"), and BNY Western Trust Company, as trustee (the "Trustee") Recordation Instructions

Ladies and Gentlemen:

This letter constitutes the joint recordation instructions of the Company and the Trustee in connection with the above-referenced Indenture.

1. Documents. You have received one (1) original of the Indenture, duly executed and acknowledged by both the Company and the Trustee, for each of the counties in the State of California listed on **Schedule 1** attached hereto (the "Counties").

2. Recordation. You are hereby instructed to do the following:

a. Record an original of the Indenture in the official records of each of the Counties as soon as possible but in no event later than 6:00 p.m. on Wednesday, March 17, 2004, and obtain a conformed copy thereof[1];

b. Take all steps necessary to ensure that the Indentures are properly indexed by the recorder of each County as quickly as possible;

c. Execute and fax a copy of the certificate attached hereto as **Exhibit A** (the "Recording Confirmation Certificate"), together with the first page of each of the conformed copies, no later than 2 p.m. on Friday, March 19, 2004, to M.J. Pritchett of Orrick, Herrington & Sutcliffe LLP (fax: (415) 773-5759), and Josephine Libunao of the Trustee (fax: (415) 399-1647); and mail the originally executed Recording Confirmation Certificate as promptly thereafter as possible to Orrick, Herrington & Sutcliffe LLP, 400 Sansome Street, San Francisco, CA 94111, Attention: M.J. Pritchett, Esq.; and

---

[1] **In addition to the original set of the Indentures, enclosed herewith are 48 copies of the Indenture, suitable for conforming by the applicable County Recorder. Please have these copies conformed by the applicable County Recorder when the original Indenture is presented for recordation. Please return the conformed copies to M.J. Pritchett.**

d. Execute and fax a copy of the certificate attached hereto as **Exhibit B** (the "Indexing Confirmation Certificate"), together with a copy of the appropriate page of the index book from each County, no later than 2 p.m. on April 2, 2004, to M.J. Pritchett of Orrick, Herrington & Sutcliffe LLP (fax: (415) 773-5759), and Josephine Libunao of the Trustee (fax: (415) 399-1647); and mail the originally executed Indexing Confirmation Certificate as promptly thereafter as possible to Orrick, Herrington & Sutcliffe LLP, 400 Sansome Street, San Francisco, CA 94111, Attention: M.J. Pritchett, Esq.

In connection with the Indexing Confirmation Certificate, we require that you confirm the proper indexing and reproduction of each Indenture in the appropriate County recorder's office. Please note that such confirmation of proper indexing may require returning to the appropriate County recorder's office subsequent to the recordation of the Indenture to view the appropriate index after the Indenture has been posted therein. In confirmation of proper reproduction, we request that, as soon as possible, you print from the microfiche or CD (or other storage system) delivered to you by each County recorder a copy of the recorded Indenture, and deliver a complete set of the copies of recorded Indentures to us.

3. Counterparts. This letter may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

4. Fees and Expenses. All fees, costs and expenses connected with each of the items contemplated by this letter shall be the sole responsibility of the Company and no other person or entity shall have any obligation for the payment thereof.

[Remainder of page intentionally left blank.]

5. Confirmation. Please acknowledge your agreement to the terms of this letter by executing a copy of this letter in the space provided below. Once you have signed this letter, please immediately send the copy hereof to the undersigned by facsimile and by overnight courier.

Very truly yours,

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
Kent M. Harvey
Senior Vice President,
Chief Financial Officer and Treasurer

BNY WESTERN TRUST COMPANY

By: _____
Josephine Libunao
Vice President

Attachments

NORTH AMERICAN TITLE COMPANY ACKNOWLEDGES RECEIPT OF THE FOREGOING DOCUMENTS AND INSTRUCTIONS AND AGREES TO COMPLY WITH SUCH INSTRUCTIONS.

MARCH 12, 2004

NORTH AMERICAN TITLE COMPANY

By: Pam Thompson
Authorized Officer

SCHEDULE 1

Counties

Alameda
Alpine
Amador
Butte
Calaveras
Colusa
Contra Costa
El Dorado
Fresno
Glenn
Humboldt
Kern
Kings
Lake
Lassen
Madera
Marin
Mariposa
Mendocino
Merced
Modoc
Monterey
Napa
Nevada
Placer
Plumas
Sacramento
San Benito
San Bernardino
San Francisco
San Joaquin
San Luis Obispo
San Mateo
Santa Barbara
Santa Clara
Santa Cruz
Shasta
Sierra
Siskiyou
Solano
Sonoma
Stanislaus
Sutter
Tehama
Trinity
Tulare
Tuolumne
Yolo
Yuba

EXHIBIT A

Certificate of Recordation

To: BNY Western Trust Company, Trustee
Pacific Gas and Electric Company

In accordance with your recording instructions dated March 11, 2004 (the "Recording Instructions"), we have recorded an original of the Indenture of Mortgage between Pacific Gas and Electric Company, as issuer, and BNY Western Trust Company, as trustee (the "Trustee"), dated as of March 11, 2004, in the appropriate recorder's office each of the Counties, as defined in the Recording Instructions. Attached hereto is (a) a summary listing of each recorded Indenture, including the date and time of recordation, and complete recording information for the Indenture in each of the respective Counties; and (b) the first page of the conformed copy of each such recorded Indenture.

As you know, we have not issued title insurance with respect to the recordings described above. The above recording was performed and this information is provided as a courtesy and no liability is assumed with respect thereto.

March 17, 2004

NORTH AMERICAN TITLE COMPANY

By: Pam Thompson
Authorized Officer

PG&E RECORDING

County	Recording Date/Time	Instrument No.	Rec. Fee
Alameda	3/16/04 @ 8:30 A.M.	2004-109262	$424.00
Alpine	3/15/04 @ 1:52 P.M.	396-397	$427.00
Amador	3/15/04 @ 1:53 P.M.	2004-3367	$423.00
Butte	3/16/04 @ 1:11 P.M.	2004-0014587	$437.00
Calaveras	3/15/04 @ 3:05 P.M.	2004-5073	$424.00
Colusa	3/15/04 @ 2:47 P.M.	2004-0001251	$427.00
Contra Costa	3/16/04 @ 11:12 A.M.	2004-088068	$424.00
El Dorado	3/15/04 @ 11:15 A.M.	04-0018966	$424.00
Fresno	3/15/04 @ 11:19 A.M.	20040055706	$426.00
Glenn	3/15/04 @ 2:58 P.M.	2004-1539	$444.00
Humboldt	3/15/04 @ 14:14 P.M.	2004-8549-140	$432.00
Kern	3/15/04 @ 12:15 P.M.	204056332	$427.00
Kings	3/15/04 @ 10:45 A.M.	2004-07216	$424.00
Lake	3/16/04 @ 12:05 P.M.	2004006521	$424.00
Lassen	3/16/04 @ 1:33 P.M.	2004-02182	$424.00
Madera	3/16/04 @ 11:40 A.M.	2004010893	$431.00
Marin	3/15/04 @ 11:18 P.M.	2004-0019996	$428.00
Mariposa	3/15/04 @ 2:52 P.M.	204-1363	$424.00
Mendocino	3/15/04 @ 12:21 P.M.	2004-05491	$427.00
Merced	3/15/04 @ 12:53 P.M.	2004-015197	$424.00
Modoc	3/16/04 @ 9:10 A.M.	2004-0001638	$425.00
Monterey	3/15/04 @ 2:37 P.M.	2004023629	$435.00
Napa	3/16/04 @ 10:54 A.M.	2004-9836	$424.00
Nevada	3/15/04 @ 11:33 A.M.	20040009213	$424.00
Placer	3/15/04 @ 12:00 P.M.	20040029193	$424.00
Plumas	3/15/04 @ 12:48 P.M.	2004-0002405	$424.00
Sacramento	3/15/04 @ 8:34 A.M.	040315-391	$426.00
San Benito	3/15/04 @ 3:12 P.M.	2004-0004220	$424.00
San Bernardino	3/15/04 @ 1:00 P.M.	177760	$430.00
San Francisco	3/16/04 @ 11:13 A.M.	2004H677107	$424.00
San Joaquin	3/15/04 @ 2:45 P.M.	2004-052211	$424.00
San Luis Obispo	3/15/04 @ 10:58 A.M.	2004020222	$421.00
San Mateo	3/15/04 @ 2:03 P.M.	2004-046828	$431.00
Santa Barbara	3/16/04 @ 8:01 A.M.	2004-0024575	$431.00
Santa Clara	3/16/04 @ 3:40 P.M.	17664290	$438.00
Santa Cruz	3/16/04 @ 12:26 P.M.	2004-0016635	$424.00
Shasta	3/15/04 @ 12:27 A.M.	2004-0014021	$424.00
Sierra	3/15/04 @ 11:39 A.M.	2004140119	$434.00
Siskiyou	3/16/04 @ 2:59 P.M.	04-0003770	$431.00
Solano	3/15/04 @ 2:55 P.M.	200400030237	$424.00
Sonoma	3/15/04 @ 12:57 P.M.	04-35085	$431.00
Stanislaus	3/15/04 @ 9:56 A.M.	2004-36718	$424.00
Sutter	3/16/04 @ 9:00 A.M.	2004-6461	$465.00
Tehama	3/15/04 @ 9:39 A.M.	_004969	$431.00
Trinity	3/15/04 @ 2:13 P. M.	200401012	$424.00
Tulare	3/16/04 @ 11:39 A.M.	2004-0023843	$425.00
Tuolumne	3/15/04 @ 4:07 P.M.	2004005028	$424.00
Yolo	3/15/04 @ 2:03 P.M.	2004-001011	$431.00
Yuba	3/16/04 @ 8:32 A.M.	2004-004458	$466.00
			$21,008.00

35

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

COPY of Document Recorded
on 3/16/04 @ 8:30
as No. 2004109262
Has not been compared with Original.
ALAMEDA COUNTY RECORDER

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

This instrument filed for record by North American Title Company, Inc. as an accommodation only. It has not been examined as to its execution or as to its effect upon the title.

CONFORMED COPY

Recorded on 3/15/04
at 1:52 P.M. at Book 93
Page(s) 2127
Doc(s) 396 - 397
by
Alpine County Recorder

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

20040003367
03/15/2004
AMADOR

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

. This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

COPY of Document Recorded
16-Mar-2004 2004-0014587
Has not been compared with original
BUTTE COUNTY RECORDER

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

COPY OF DOCUMENT RECORDED
On 3/15/04 as No. 2004-5073
3:05 PM Official Records
has not been compared with original.
CALAVERAS COUNTY RECORDER

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

COPY of Document Recorded
15-Mar-2004 2004-0001251
Has not been compared with original
COLUSA COUNTY RECORDER

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

North American Title Co.



CONTRA COSTA Co Recorder Office
STEPHEN L. WEIR, Clerk-Recorder
DOC- 2004-0088068-00
Check Number
Tuesday, MAR 16, 2004 11:12:00
MIC $2.00 MOD $141.00 REC $149.00
TCF $139.00 DAF $1.80 REF $0.20
Ttl Pd $433.00 Nbr-0002028333
MNH/R0/2-140

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This instrument filed for record by North American Title company as an accommodation only. It has not been examined as to its execution or as to its effect upon the title.

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

El Dorado, County Recorder
William Schultz Co Recorder Office
DOC- 2004-0018966-00
Check Number 186066
Monday, MAR 15, 2004 11:15:26
Ttl Pd $424.00 Nbr-0000555580
LMT/C2/1-140

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

11:19 AM
#426

03/15/2004,20040055706
FRESNO COUNTY

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

CONFORMED COPY
Copy of Document Recorded
on 03/15/2004 02:58P as 2004
-1539
Glenn County Clerk-Recorder

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

2004-8549-140
Recorded — Official Records
Humboldt County, California
Carolyn Crnich, Recorder
Recorded by TITLE COURT

Rec Fee	424.00
Combined Doc	7.00
Clerk: KJ Total:	431.00

Mar 15, 2004 at 14:14
CONFORMED COPY

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

James W. Fitch, Assessor – Recorder
Kern County Official Records

JASON
3/15/2004
12:15 PM

Recorded at the request of
Public

DOC#: 0204056332

Stat Types: 1 Pages: 140

Fees	424.00
Taxes	0.00
Others	3.00
PAID	$427.00

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions



03/15/2004

Doc Nbr: 0407216

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

KINGS COUNTY

r019

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Doc # 2004006521
Page 1 of 148
Date: 03/16/2004 12:03P
Filed by: TITLE COURT SERVICES
Filed & Recorded in Official Records
of COUNTY OF LAKE
DOUGLAS M. MACKER
COUNTY RECORDER
Fees: $424.00

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

CONFORMED COPY
Copy of Document Recorded at the request of BNY WESTERN T RUST CO
as 2004-02182 Fee 424.00
on 03/16/2004 at 01:50P
Theresa Nagel, County Clerk-Recorder

LASSEN COUNTY

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

Doc#: 2004010893
3/16/2004 11:40 AM

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

CONFORMED COPY
This document has not been compared with the original.
MADERA COUNTY CLERK-RECORDER

$431.00

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

2004-05491
Pg: 1/141

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

2004-05491
Recorded at the request of
TITLE COURT SERVICES
03/15/2004 12:21P
Fee: 427.00 No of Pages: 141

OFFICIAL RECORDS
Marsha A Wharff, Clerk-Recorder
Mendocino County, CA

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

DOCSSF1:728761.21

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Recorded in Official Records,
Merced County
Doc#: 2004-015197
3/15/2004 12:18 PM

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Modoc County Recorder
Judith Stevens, County Recorder
DOC- 2004-0001638-00
Tuesday, MAR 16, 2004 09:10:20
REC $142.00 MOD $140.00 MIC $1.00
IDF $2.00 TCF $139.00
Ttl Pd $424.00 Nbr-0000042042
SBB/R1/1-140

CONFORMED

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

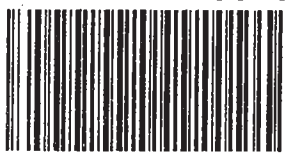
This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Stephen L. Vagnini CRNOEMI
Monterey County Recorder 3/15/2004
Recorded at the request of 14:37:54
Filer

DOCUMENT: **2004023629**



Titles: 2/ Pages: 140

Fees....	433.00
Taxes...	
Other...	2.00
AMT PAID	$435.00

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

140

RECORDING REQUESTED BY:

2004-0019996

Recorded
Official Records
County Of
Marin
JOAN C. THAYER
Recorder

REC FEE 424.00

jlf
11:18AM 15-Mar-2004 Page 1 of 140

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

CONFORMED COPY
ORIGINAL RECORDED
Date: 3.15.04 Fee: 424.00
Time: 2:52PM By: Sheri
Document Number: 204-1363
Run Date:
MARIPOSA COUNTY

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage

(Mortgage)

Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

This document filed for record
by First American Title
Company as an ACCOMODATION ONLY
It has not been examined as to its
execution or as to its effect upon
the title.

TO BE RECORDED AND WHEN RECORDED RETURN TO:

20040009213

NEVADA

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

3/15/04 10:54 AM

04-9836

$424—

NAPA

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

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Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

03/15/2004,20040029193

PLACER

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

COPY of Document Recorded

15-Mar-2004 2004-0002405

Has not been compared with original

Plumas COUNTY RECORDER

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage

(Mortgage)

Dated as of March 11, 2004

This is a Security Agreement as well as a Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

ORIGINAL
Accepted for Recording
COPY-NOT CERTIFIED

MAR 15 2004

Sacramento County
Clerk-Recorder

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

COPY of Document Recorded
15-Mar-2004 2004-0004220
Has not been compared with original
SAN BENITO COUNTY RECORDER

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

COPY of Document Recorded
3/15/04 177760
Has not been compared with original.
Original will be returned when
processing has been completed
SAN BERNARDINO COUNTY REGISTRAR-RECORDER COUNTY CLERK

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

CONFORMED COPY ... it recorded on
03/16/2004, 2004H677107
at ... as No.
This document has not been compared with the original
SAN FRANCISCO ASSESSOR RECORDER

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

DOC# 2004-052211
03/15/2004

Conformed Copy

GARY W. FREEMAN
County of San Joaquin
Assessor-Recorder-County Clerk

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

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BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

COPY of Document Recorded
on_____
Doc#: 2004020222
3/15/2004 10:58 AM
Has not been compared with original.
JULIE L. RODEWALD, COUNTY CLERK-RECORDER
SAN LUIS OBISPO

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

2004-046828 CONF
02:03pm 03/15/04 MG FFM Fee: 431.00
Count of pages 140
Recorded in Official Records
County of San Mateo
Warren Slocum
Assessor-County Clerk-Recorder



Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

COPY of Document Recorded
16-Mar-2004 2004-0024575
Has not been compared with original
SANTA BARBARA COUNTY RECORDER

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao



ENDORSED COPY

SANTA CLARA COUNTY

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

COPY of Document Recorded
16-Mar-2004 2004-0016635
Has not been compared with original
SANTA CRUZ COUNTY RECORDER

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

COPY of Document Recorded
15-Mar-2004 2004-0014021
Has not been compared with original
SHASTA COUNTY RECORDER

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

Doc # 2004140119
Page 1 of 140
Date: 03/15/2004 11:39A
Filed by: TITLE COURT SERVICE
Filed & Recorded in Official Records
of SIERRA COUNTY
MARY J. JUNGI
COUNTY CLERK-RECORDER
Fee: $434.00

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

COPY Of Document Recorded
On 03/16/2004 As No. 04-000770
Has Not Been Compared With Original.
SISKIYOU COUNTY RECORDER

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

Recorded In Official Records,
Solano County
Doc#: 200400030237
3/15/2004 2:55 PM

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

3/15/04 12:57pm.
2004-035085
$ 431.00
SONOMA COUNTY

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao



Stanislaus, County Recorder
Lee Lundrigan Co Recorder Office
DOC- 2004-0036718-00
Acct 403-Mail Documents
Monday, MAR 15, 2004 09:56:51
Ttl Pd $424.00 Nbr-0001437051
RSS/R3/1-140

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

CONFORMED COPY

COPY of Document Recorded
16-Mar-2004 2004-0006461
Has not been compared with original
SUTTER COUNTY RECORDER

9 00

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage

(Mortgage)

Dated as of March 11, 2004

This is a Security Agreement as well as a Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

004969

RECORDED AT REQUEST OF
TITLE COURT SERVICES
at 39 min. past 9 A M
MAR 15 2004
OFFICIAL RECORDS
TEHAMA COUNTY, CALIFORNIA
MARY ALICE GEORGE
Recorder
Fee $ 431-

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

Doc # 200401012
Page 1 of 148
Date: 3/15/2004 02:12P
Filed by: GENERAL PUBLIC
Filed & Recorded in Official Records
of TRINITY COUNTY, CA
DERO B. FORSLUND
COUNTY CLERK-RECORDER
Fee: $424.00

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

CONFORMED COPY

Doc # 2004005028
Page 1 of 140
Date: 03/15/2004 04:06P
Filed by: TITLE COURT SERVICE
Filed & Recorded in Official Records
of COUNTY OF TUOLUMNE
DAVID W WYNNE
COUNTY RECORDER
Fee: $424.00

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

COPY of Document Recorded

16-Mar-2004 2004-0023843

Has not been compared with original

Tulare COUNTY RECORDER

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

TO BE RECORDED AND WHEN RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

YOLO Recorder's Office
Freddie Oakley, County Recorder
DOC- 2004-0010011-00
Acct 106-Title Court
Monday, MAR 15, 2004 14:03:00
Ttl Pd $431.00 Nbr-0000472784
VRB/R6/2-140

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

CONFORMED COPY
NOT COMPARED
WITH ORIGINAL

This Instrument Contains After-Acquired Property Provisions

2004E-004458

8:32 AM

TO BE RECORDED AND WHEN
RECORDED RETURN TO:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attn: Ms. Josephine Libunao

RECEIVED
MAR 16 2004
YUBA COUNTY RECORDER

Indenture of Mortgage
(Mortgage)
Dated as of March 11, 2004

This is a Security Agreement as well as a
Mortgage of Real Estate and Other Property

PACIFIC GAS AND ELECTRIC COMPANY,
Issuer (Mortgagor)

and

BNY WESTERN TRUST COMPANY,
Trustee (Mortgagee)

This Instrument Contains After-Acquired Property Provisions

EXHIBIT B

Certificate of Indexing

To: BNY Western Trust Company, Trustee
Pacific Gas and Electric Company

In accordance with your recording instructions dated March 11, 2004 (the "Recording Instructions"), we certify that an original of the Indenture of Mortgage between Pacific Gas and Electric Company, as issuer, and BNY Western Trust Company, as trustee (the "Trustee"), dated as of March 11, 2004, was properly indexed in the appropriate recorder's office each of the Counties, as defined in the Recording Instructions. Attached hereto is (a) a summary listing of the date of confirmation by us of the existence of the Indenture in the proper index in the County records; and (b) a copy of the appropriate page of the index book from each County evidencing the proper indexing of the Indenture.

Our liability with respect to the above certification is limited to the liability amounts shown in the attached guarantees, and with respect only to the indexing in the counties referred to therein. As to the indexing in the other counties, the above information is provided as a courtesy and no liability is assumed with respect thereto.

_____ __, 2004

NORTH AMERICAN TITLE COMPANY

By: _____
Authorized Officer

[To be delivered on April 2, 2004]

OFFICER'S CERTIFICATE
PURSUANT TO SECTION 5.01(e)

This Officer's Certificate (this "Certificate") is executed by Kent M. Harvey, Senior Vice President, Chief Financial Officer and Treasurer of Pacific Gas and Electric Company (the "Company"), pursuant to Section 5.01(e) of the Indenture of Mortgage, dated as of March 11, 2004, between the Company and the BNY Western Trust Company, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of March 23, 2004 (as so supplemented, the "Indenture"; all capitalized terms used herein which are not defined herein shall have the meanings specified in the Indenture).

In connection with the issuance of the Bonds named in Exhibit A attached hereto, I hereby certify to the Trustee as follows:

1. To my knowledge, no Event of Default has occurred and is continuing under the Indenture.

2. I have read all of the covenants and conditions contained in Section 5.01 and 5.02 of the Indenture and the definitions in the Indenture relating thereto and in respect of which this Certificate is made.

3. The statements contained in this Certificate are based upon my familiarity with the Indenture and upon discussions with officers and employees of the Company familiar with the matters set forth herein and in the sections and provisions of the Indenture referred to in paragraph 2 above.

4. In my opinion, I have made such examination or investigation as is necessary to enable me to express an informed opinion as to whether or not such covenants and conditions have been complied with.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 23rd day of March, 2004.

Kent M. Harvey
Senior Vice President, Chief Financial Officer and Treasurer

EXHIBIT A

3.60% First Mortgage Bonds due 2009

4.20% First Mortgage Bonds due 2011

4.80% First Mortgage Bonds due 2014

6.05% First Mortgage Bonds due 2034

Floating Rate First Mortgage Bonds due 2006

BNY WESTERN TRUST COMPANY

TRUSTEE'S CERTIFICATE

I, the undersigned officer of BNY Western Trust Company, as trustee (the "Trustee") under that certain Indenture of Mortgage, dated as of March 11, 2004 (the "Indenture"), between Pacific Gas and Electric Company, a California corporation (the "Company"), and the Trustee pursuant to which Indenture the Company is issuing on the date hereof $6,700,000,000 in aggregate principal amount of its Fixed Rate First Mortgage Bonds and its Floating Rate First Mortgage Bonds (collectively, the "Bonds"), do hereby certify as follows:

1. The Trustee is a state banking corporation duly organized, validly existing and in good standing under the laws of the State of California, is authorized to carry out corporate trust powers and has full power and authority to enter into and perform the obligations of Trustee under the Indenture.

2. The execution, delivery and performance by the Trustee of the Indenture and the authentication and delivery of the Bonds have been duly authorized by all necessary corporate action on the part of the Trustee, and the Trustee has duly accepted its appointment as Trustee under the Indenture. The Trustee has authenticated the Bonds in the manner required by the Indenture and delivered them pursuant to the order of the Company, dated the date hereof.

3. The Indenture has been duly executed and delivered by and in the name on behalf of the Trustee and is a valid and binding obligation of the Trustee enforceable in accordance with its terms; and the person who, as an officer of the Trustee, executed the Indenture and authenticated the Bonds was duly elected or appointed to, and was the incumbent of, the office such person purported to hold at such times, was duly authorized to perform such acts at the respective times of such acts and such person's signatures on such documents are genuine.

4. As of the date hereof, the Trustee is eligible to act as Trustee under the Indenture pursuant to the provisions thereof and pursuant to the provisions of the Trust Indenture Act of 1939, as amended.

5. Set forth in Exhibit A hereto are full, true and correct copies of the resolutions adopted by the Board of Directors and extract of by-laws of the Trustee authorizing the execution of the documents and certificates relating to the Bonds.

Capitalized terms used but not defined in this Trustee Certificate have the meanings assigned thereto in the First Supplemental Indenture, dated as of March 23, 2004, between the Company and the Trustee.

IN WITNESS WHEREOF, the Trustee has caused this certificate to be executed by one of its duly authorized officers.

Dated March 23, 2004

BNY WESTERN TRUST COMPANY,
as Trustee

By: _____
Name: JOSEPHINE LIBUNAO
Title: VICE PRESIDENT

EXHIBIT A

BNY WESTERN TRUST COMPANY

EXTRACT OF BY-LAWS

Extracts from By-Laws
of

BNY WESTERN TRUST COMPANY
As Amended and Restated October 8, 2002

ARTICLE VII

Signing Authorities

SECTION 1. *Real Property.* Real property owned by the Corporation in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Corporation in its own right with such maximum values as the Board may fix in its authorizing resolution.

SECTION 2. *Senior Signing Powers.* Subject to the exception provided in Section 1, the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Corporation in all transactions arising out of, or in connection with, the normal course of the Corporation's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Corporation thereto. In such instances as in the judgment of the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Corporation authorized in or pursuant to Section 3 to have any of the powers set forth therein other than the officer signing pursuant to this Section 2, is authorized to attest to the seal of the Corporation on any documents requiring such seal.

SECTION 3. *Limited Signing Powers.* Subject to the exception provided in Section 1, in such instances as in the judgment of the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Corporation to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

SECTION 4. *Powers of Attorney.* All powers of attorney on behalf of the Corporation shall be executed by any officer of the Corporation jointly with the Chairman of the Board, the President, any Vice Chairman, any Senior Executive Vice President, any Executive Vice President, any Senior Vice President or any Managing Director, provided that the execution by such Senior Vice President or Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

SECTION 5. *Auditor.* The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Corporation, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

Pursuant to Article VII, Section 3 of the By-laws

RESOLVED, that, pursuant to Article VII, Section 3 of the By-laws **BNY Western Trust Company**, authority be, and hereby is, granted to the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President, in such instances as in the judgement of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification: contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Corporation; note, and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options, and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Corporation's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $100,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $10,000,000.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $1,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $250,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $50,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000.

*Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single Authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Corporation for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Corporation for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Corporation for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Corporation for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Corporation as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Corporation in trust or in connection with any transaction with respect to which the Corporation is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

0(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Corporation or to affix the seal of the Corporation to any of the following classes of documents: Trust Indentures, Escrow Agreements. Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Corporation in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings. Contracts for providing customers with Corporation products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only (i.e.: general ledger tickets): does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Corporation.

BNY WESTERN TRUST COMPANY

CORPORATE TRUST
OFFICIAL SIGNING POWER AUTHORITIES

Pursuant to Article VII, Sections 2 and 3 of the By-Laws of BNY Western Trust Company as amended October 8, 2002, I hereby convey the signing authorities noted next to the individuals, as follows:

Name	Title	Signing Power Authority (per Sections) *
M.K. Klugman	Senior Vice President	2 & 3 (A) (J)
Todd H. Duncan	Vice President & Assistant Secretary	2 & 3 (A) (J)
Carl W. Becker	Vice President	2 & 3 (A) (J)
Hugh L. Black	Assistant Vice President	2 & 3 (A) (J)
Eladia Burgos	Vice President & Assistant Secretary	2 & 3 (A) (J)
Rose C. Bystrom	Vice President & Assistant Secretary	2 & 3 (A) (J)
Milly P. Canessa	Assistant Vice President	2 & 3 (A) (J)
Gregory B. Chenail	Assistant Treasurer	2 & 3 (A) (J)
Priscilla R. Dedoro	Assistant Vice President	2 & 3 (A) (J)
Daren M. Di Nicola	Vice President	2 & 3 (A) (J)
Angele Forthmann	Assistant Vice President	2 & 3 (A) (J)
Teresa R. Fructuoso	Vice President	2 & 3 (A) (J)
Christina Garchitorena	Agency Administrator	2 & 3 (A) (J)
Mark A. Golder	Vice President	2 & 3 (A) (J)
Vicki Herrick	Assistant Vice President	2 & 3 (A) (J)
Inga Keldsen	Vice President & Assistant Treasurer	2 & 3 (A) (J)
Josephine Libunao	Vice President	2 & 3 (A) (J)
Alan Maravilla	Assistant Treasurer	2 & 3 (A) (J)
Raymond A. Martinez	Assistant Vice President	2 & 3 (A) (J)
Patrick Matanane	Assistant Vice President	2 & 3 (A) (J)
Marina Meza	Agency Administrator	2 & 3 (A) (J)
Helen B. McNulty	Assistant Treasurer	2 & 3 (A) (J)
Gary B. Nelson	Vice President & Assistant Treasurer	2 & 3 (A) (J)
Jacqueline M. Nowak	Vice President	2 & 3 (A) (J)
David A. Oeser	Assistant Vice President & Assistant Secretary	2 & 3 (A) (J)
Linda G. Ojeda	Vice President & Assistant Treasurer	2 & 3 (A) (J)
Tomas S. Orlina, Jr.	Assistant Vice President	2 & 3 (A) (J)
Sandee' Parks	Vice President	2 & 3 (A) (J)
Karen Peterson	Assistant Treasurer	2 & 3 (A) (J)
Teresa Petta	Assistant Vice President	2 & 3 (A) (J)
Aurora Y. Quiazon	Assistant Treasurer	2 & 3 (A) (J)
Rosalinda Ronquillo	Assistant Vice President & Assistant Secretary	2 & 3 (A) (J)
Lioudmila Semenova	Assistant Vice President	2 & 3 (A) (J)
Allen D. Taylor	Assistant Vice President	2 & 3 (A) (J)
Johanna K. Tokunaga	Assistant Vice President	2 & 3 (A) (J)
Fe Tuzon	Assistant Treasurer	2 & 3 (A) (J)
Gonzalo Urey	Assistant Vice President	2 & 3 (A) (J)
Deborah Young	Vice President	2 & 3 (A) (J)

Keith N. Kuhn, Chairman
BNY Western Trust Company

* External Signing Authorities for purposes of executing Contacts, Indentures, Agreements, etc.

M:\WINWORD\OTHER\SINGING AUTHORITY

02/09/2004

0407760535

[redacted]

UCC FINANCING STATEMENT
FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

FILED
SACRAMENTO, CA
MAR 17, 2004 AT 1337
KEVIN SHELLEY
SECRETARY OF STATE

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (1a or 1b) – do not abbreviate or combine names

1a. ORGANIZATION'S NAME: Pacific Gas and Electric Company

OR

1b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
P.O. Box 770000	San Francisco	CA	94177	USA

1d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any
		Corporation	California	CA C0044131 ☐ NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (2a or 2b) – do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

2d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any
				☐ NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME: BNY Western Trust Company, as Trustee

OR

3b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
550 Kearny Street, Suite 600	San Francisco	CA	94108	USA

4. This FINANCING STATEMENT covers the following collateral:

See Exhibit A attached hereto and incorporated herein by reference.

5. ALTERNATIVE DESIGNATION [if applicable]: ☐ LESSEE/LESSOR ☐ CONSIGNEE/CONSIGNOR ☐ BAILEE/BAILOR ☐ SELLER/BUYER ☐ AG. LIEN ☐ NON-UCC FILING

6. ☐ This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable]

7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [ADDITIONAL FEE] [optional] ☐ All Debtors ☐ Debtor 1 ☐ Debtor 2

8. OPTIONAL FILER REFERENCE DATA

FILING OFFICE COPY — NATIONAL UCC FINANCING STATEMENT (FORM UCC1) (REV. 07/29/98)

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME

Pacific Gas and Electric Company

OR

9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME,SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one name (11a or 11b) – do not abbreviate or combine names

11a. ORGANIZATION'S NAME

OR

11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

11c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

11d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any
				☐ NONE

12. ☐ ADDITIONAL SECURED PARTY'S or ☐ ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME

OR

12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

12c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as-extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.

Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate

18. Check only if applicable and check only one box.

☒ Debtor is a TRANSMITTING UTILITY

☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years

☐ Filed in connection with a Public-Finance Transaction – effective 30 years

EXHIBIT A TO UCC FINANCING STATEMENT

Debtor: Pacific Gas and Electric Company

Secured Party: BNY Western Trust Company, as Trustee

Item 4 continued

This financing statement covers the following collateral:

1. All right, title and interest of the Company, as of the Execution Date (as hereinafter defined), in and to all property, real, personal and mixed, located in the State of California, including without limitation all right, title and interest of the Company in and to the following property so located: (a) all real property owned in fee, easements and other interests in real property, including, without limitation, the leasehold estate of the Company created by the Diablo Canyon Lease (as hereinafter defined); (b) all licenses and permits to use the real property of others, franchises to use public roads, streets and other public properties, rights of way and other rights or interests relating to the occupancy or use of real property; (c) all facilities, machinery, equipment and fixtures for the generation, transmission and distribution of electric energy including, but not limited to, all plants, switchyards, towers, substations, transformers, poles, lines, cables, conduits, ducts, conductors, meters, regulators and all other property used or to be used for any or all of such purposes; (d) all facilities, machinery, equipment and fixtures for the transmission and transportation, storage and distribution of gas including, but not limited to, gas works, stations and substations, transmission pipelines, storage facilities, holders, tanks, retorts, purifiers, odorizers, scrubbers, compressors, valves, regulators, pumps, mains, pipes, service pipes, conduits, ducts, fittings and connections, services, meters and any and all other property used or to be used for any or all of such purposes; (e) all buildings, offices, warehouses, structures or improvements in addition to those referred to or otherwise included in clauses (a), (c) and (d) above; (f) all computers, data processing, data storage, data transmission and/or telecommunications facilities, equipment and apparatus; and (g) all of the foregoing property in the process of construction;

2. All right, title and interest of the Company in, to and under all property, real, personal and mixed, located in the State of California which may be hereafter acquired by the Company, it being the intention of the Company that all such property acquired by the Company after the Execution Date shall be as fully embraced within and subjected to the lien of the Indenture and shall be collateral as if such property were owned by the Company as of the Execution Date;

3. All right, title and interest of the Company in, to and under any Excepted Property, which may, from time to time after the Execution Date, by delivery or by an instrument supplemental to the Indenture, be subjected to the lien of the Indenture by the Company, the Trustee being authorized to receive the same at any time as additional security under the Indenture; it being understood that any such subjection to the lien of the Indenture of any Excepted Property as additional security may be made subject to such reservations, limitations or conditions respecting

the use and disposition of such property or the proceeds thereof as shall be set forth in such instrument;

4. All right, title and interest of the Company, whether now owned or hereafter acquired, in, to and under (i) all goods (as such term is defined in the California Commercial Code as in effect on March 11, 2004) located in the State of California, and (ii) all money, deposit accounts, instruments, investment property and other property (as such terms are defined in the California Commercial Code as in effect on March 11, 2004) paid or delivered to, deposited with, or held by the Trustee under the Indenture;

5. All right, title and interest, whether now owned or hereafter acquired, of the Company in, to and under the rents, issues, profits, revenues and other income and proceeds of the property expressly subjected or expressly required to be subjected to the lien of the Indenture, and all the estate, right, title and interest of every nature whatsoever of the Company in and to the same and every part thereof, and all other property of whatever kind and nature expressly subjected to the lien of the Indenture or stated to constitute Mortgaged Property by any of the terms and provisions of the Indenture; and

6. All proceeds (as such term is defined in the California Commercial Code as in effect on March 11, 2004) of the foregoing;

expressly excepting and excluding, however, all right, title and interest of the Company in, to or under the following property (other than such property as is described in Paragraph 3 above), whether now owned or hereafter acquired (the "Excepted Property"):

(a) all money, investment property and deposit accounts (as such terms are defined in the California Commercial Code as in effect on March 11, 2004), and all cash on hand or on deposit in banks or other financial institutions, shares of stock, interests in general or limited partnerships or limited liability companies, bonds, notes, other evidences of indebtedness and other securities, of whatever kind and nature, in each case to the extent not hereafter paid or delivered to, deposited with, or held by the Trustee under the Indenture;

(b) all accounts, chattel paper, commercial tort claims, documents, general intangibles, instruments, letter-of-credit rights and letters of credit (as such terms are defined in the California Commercial Code as in effect on March 11, 2004), other than those specifically described in clause (b) of Paragraph 1 above; and all contracts, leases (except the Diablo Canyon Lease), operating agreements and other agreements of whatever kind and

nature; all contract rights, bills and notes (except to the extent that any of the same constitute investment property, in which case they are separately excepted from the lien of the Indenture under clause (a) above); all revenues, income and earnings, all accounts receivable, rights to payment and unbilled revenues, all rents, tolls, issues, product and profits, claims, credits, demands and judgments, including any rights in or to rates, revenue components, charges, tariffs or amounts arising therefrom, or in any amounts that are accrued and recorded in a regulatory account for collections by the Company; all governmental and other licenses, permits, franchises, consents and allowances, including all emission allowances (or similar rights) created under any similar existing or future law relating to abatement or control of pollution of the atmosphere, water or soil, other than those specifically described in clause (b) of Paragraph 1 above; and all patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights and other intellectual property, including computer software and software licenses; and all claims, credits, choses in action and other intangible property;

(c) all automobiles, buses, trucks, truck cranes, tractors, trailers, motor vehicles and similar vehicles and movable equipment; all rolling stock, rail cars and other railroad equipment; all vessels, boats, barges and other marine equipment; all airplanes, helicopters, aircraft engines and other flight equipment; and all parts, accessories and supplies used in connection with any of the foregoing;

(d) all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the Mortgaged Property; all fuel, whether or not any such fuel is in a form consumable in the operation of the Mortgaged Property, including separate components of any fuel in the forms in which such components exist at any time before, during or after the period of the use thereof as fuel; all hand and other portable tools and equipment; and all furniture and furnishings;

(e) all personal property the perfection of a security interest in which is not governed by the California Commercial Code;

Item 4 continued

(f) all oil, gas and other minerals (as such terms are defined in the California Commercial Code as in effect on March 11, 2004); and all coal, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land; and all electric energy and capacity, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by the Company;

(g) all property which is the subject of a lease agreement designating the Company as lessee and all right, title and interest of the Company in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as security; provided, however, that the Company's right, title and interest in and to the property which is the subject of the Diablo Canyon Lease, and in, to and under the Diablo Canyon Lease shall not be Excepted Property;

(h) all property, real, personal and mixed, which subsequent to the Execution Date, has been released from the lien of the Indenture, and any improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any parts thereof;

(i) all property, real, personal and mixed, that is stated in Sections 8.10(d), 13.03 or 13.05 of the Indenture to not be subject to the lien of the Indenture; and

(j) all proceeds (as such term is defined in the California Commercial Code as in effect on March 11, 2004) of the foregoing,

provided, however, that Excepted Property shall not include the identifiable proceeds (as such term is defined in the California Commercial Code as in effect on March 11, 2004) of any Mortgaged Property that the Company has disposed of in violation of the terms of the Indenture; and provided, further, that subject to the provisions of Section 13.03 of the Indenture, if, at any time after the occurrence of an event of default under the Indenture but prior to the Release Date, the Trustee, or any separate trustee or co-trustee appointed under Section 11.14 of the Indenture or any receiver appointed pursuant to Section 10.08 of the Indenture or otherwise, shall have entered into possession of all or substantially all the Mortgaged Property, to the extent permitted by law, all the Excepted Property described or referred to in the foregoing clauses (c) and (d) then owned or held or thereafter acquired by the Company, to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, shall

immediately, and, in the case of any Excepted Property described or referred to in clause (g), to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, upon demand of the Trustee or such other trustee or receiver, become subject to the lien of the Indenture and shall be collateral, junior and subordinate to any liens at that time existing on such Excepted Property, and the Trustee or such other trustee or receiver may, to the extent permitted by law or by the terms of any such other lien (and subject to the rights of the holders of all such other liens), at the same time likewise take possession thereof; provided, however, that none of the Excepted Property described or referred to in the foregoing clauses (c), (d) and (g) shall become subject to the lien of the Indenture or be collateral upon the occurrence of an event of default under the Indenture, if such Excepted Property is (x) subject to an existing agreement that prohibits the imposition of further liens on such Excepted Property or (y) subject to an existing agreement providing for the sale or other disposition of such Excepted Property; provided, further, that whenever all events of default under the Indenture shall have been cured and the possession of all or substantially all of the Mortgaged Property shall have been restored to the Company, such Excepted Property shall again be excepted and excluded from the lien of the Indenture and shall not be collateral to the extent set forth above; it being understood that the Company may, however, pursuant to Granting Clause Third of the Indenture, subject any Excepted Property to the lien of the Indenture whereupon the same shall cease to be Excepted Property.

As used herein, the following terms have the following meanings:

"Company" means the Debtor.

"Diablo Canyon Lease" means that certain lease dated September 17, 1966, between Eureka Energy Company, as lessor, and the Company, as lessee, which lease was originally entered into between Luigi Marre Land and Cattle Company, a California corporation, as lessor, and San Luis Obispo Bay Properties, Inc., a California corporation, as lessee, a memorandum of which Lease was recorded September 21, 1966 in Volume 1410, Page 556, Official Records, San Luis Obispo County, California, and any supplements, assignments and modifications thereto.

"Execution Date" means the date on which the Bonds of the First Series, the Bonds of the Second Series, the Bonds of the Third Series, the Bonds of the Fourth Series, and the Bonds of the Fifth Series are first issued under the Indenture.

"Indenture" means the Indenture of Mortgage, dated as of March 11, 2004, between the Company and the Trustee, as supplemented or amended.

Debtor: Pacific Gas and Electric Company

Secured Party: BNY Western Trust Company, as Trustee

Item 4 continued

"Mortgaged Property" means the property described in Paragraphs 1 through 6 of the collateral description set forth above, other than Excepted Property.

"Release Date" means the date chosen by the Company and specified in a company order delivered to the Trustee in compliance with Section 8.12 of the Indenture.

"Trustee" means the Secured Party.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture. A copy of the Indenture is available for inspection at the office of the Trustee, which is currently located at: BNY Western Trust Company, 550 Kearny Street, Suite 600, San Francisco, California, 94108, Attention: Corporate Trust Administration.

The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be Completed by Issuer]

Pacific Gas and Electric Company

[Name of Issuer]

March 22, 2004

[Date]

[For Municipal Issues:
Underwriting Department—Eligibility; 50th Floor]
[For Corporate Issues:
General Counsel's Office; 49th Floor]
The Depository Trust Company
55 Water Street
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Pacific Gas and Electric Company
(Issuer)

By: _____
(Authorized Officer's Signature)

Kent M. Harvey
(Print Name)

77 Beale Street
(Street Address)

San Francisco, CA USA 94105
(City) (State) (Country) (Zip Code)

(415) 973-7000
(Phone Number)

(E-mail Address)

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____

DTCC

The Depository Trust & Clearing Corporation

[2/02]

(To Blanket Issuer Letter of Representations)

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the"Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue,and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner")is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity

of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[**6.** Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[**9.** A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

CUSIP SERVICE BUREAU
STANDARD & POOR'S, a division of The McGraw-Hill Companies, Inc. 55 Water Street, New York, NY 10041

March 23, 2004

DANIEL FUCCILLO
LEHMAN BROTHERS INC
745 7TH AVE
16TH FLOOR
NEW YORK, NY 10019

Mr. DANIEL FUCCILLO

This is in response to your request for the assignment of Corporate CUSIP Numbers to:

ISSUER: PACIFIC GAS & ELEC CO

CUSIP NUMBER: 694308 GB 7
ISIN NUMBER : US694308GB75
ISSUE DESCRIPTION: 1ST MTG BD
RATE: 3.600%
MATURITY: 03/01/2009

CUSIP NUMBER: 694308 GC 5
ISIN NUMBER : US694308GC58
ISSUE DESCRIPTION: 1ST MTG BD
RATE: 4.200%
MATURITY: 03/01/2011

CUSIP NUMBER: 694308 GD 3
ISIN NUMBER : US694308GD32
ISSUE DESCRIPTION: 1ST MTG BD
RATE: 4.800%
MATURITY: 03/01/2014

CUSIP NUMBER: 694308 GE 1
ISIN NUMBER : US694308GE15
ISSUE DESCRIPTION: 1ST MTG BD
RATE: 6.050%
MATURITY: 03/01/2034

CUSIP NUMBER: 694308 GF 8
ISIN NUMBER : US694308GF89
ISSUE DESCRIPTION: 1ST MTG BD FLTG RATE
RATE: 0.000
MATURITY: 04/03/2006

IMPORTANT NOTICE:

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Sincerely yours,

Gerard Faulkner
Editor
CUSIP Service Bureau

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The American Bankers Association.

FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) |__|

BNY WESTERN TRUST COMPANY
(Exact name of trustee as specified in its charter)

California (State of incorporation if not a U.S. national bank)	95-3571558 (I.R.S. employer identification no.)
700 South Flower Street Los Angeles, California (Address of principal executive offices)	90017 (Zip code)

Pacific Gas and Electric Company
(Exact name of obligor as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	94-0742640 (I.R.S. employer identification no.)
77 Beale Street P.O. Box 770000 San Francisco, CA (Address of principal executive offices)	94177 (Zip code)

Senior Secured Bonds
(Title of the indenture securities)

1. General information.

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Federal Deposit Insurance Corporation	25 Ecker Street San Francisco, California 94105
State Banking Department	111 Pine Street, Suite 1100 San Francisco, California 94111

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

None.

16. List of Exhibits.

1.1 Articles of Incorporation of Security Trust Company, as filed in the office of the Secretary of State of the State of California on November 13, 1980 and filed in the office of the Superintendent of Banks, State of California on November 17, 1980; incorporated herein by reference as Exhibit 1.1 filed with Form T-1 Statement, Registration No. 33-56465.

1.2 Certificate of Amendment of Articles of Incorporation (changing the name of the Trustee from Security Trust Company to Bradford Trust Company of California), as filed in the office of the Secretary of State of the State of California on January 7, 1985; incorporated herein by reference as Exhibit 1.2 filed with Form T-1 Statement, Registration No. 33-56465.

1.3 Certificate of Amendment of Articles of Incorporation (changing the name of the Trustee from Bradford Trust Company of California to FIDATA Trust Company California) as filed in the office of the Secretary of State of the State of California on April 11, 1985; incorporated herein by reference as Exhibit 1.3 filed with Form T-1 Statement, Registration No. 33-56465.

1.4 Certificate of Amendment of Articles of Incorporation (changing the name of the Trustee from FIDATA Trust Company California to Wall Street Trust Company California), as filed in the office of the Secretary of State of the State of California on February 5, 1986; incorporated herein by reference as Exhibit 1.4 filed with Form T-1 Statement, Registration No. 33-56465.

1.5 Certificate of Amendment of Articles of Incorporation (changing the name of the Trustee from Wall Street Trust Company California to The Bank of New York Trust Company of California), as filed in the office of the Secretary of State of the State of California on April 15, 1988; incorporated herein by reference as Exhibit 1.5 filed with Form T-1 Statement, Registration No. 33-56465.

1.6 Certificate of Amendment of Articles of Incorporation (changing the name of the Trustee from The Bank of New York Trust Company of California to BNY Western Trust Company), as filed in the office of the Secretary of State of the State of California on August 31, 1995; filed herewith.

3. Copy of Certificate of the State Banking Department, State of California, dated January 24, 1994, authorizing the Trustee to transact a commercial banking business and to engage in the trust business at 700 South Flower Street, Los Angeles, California; incorporated herein by reference as Exhibit 3 filed with Form T-1 Statement, Registration No. 33-56465.

4. Copy of By-Laws of the Trustee; incorporated herein by reference as Exhibit 4 filed with Form T-1 Statement, Registration No. 33-56465.

6. Consent of the Trustee required by Section 321(b) of the Act; incorporated herein by reference as Exhibit 6 filed with Form T-1 Statement, Registration No. 33-56465.

7. Copy of latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, BNY Western Trust Company, a corporation organized and existing under the laws of the State of California, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in San Francisco, California on March 2, 2004.

BNY WESTERN TRUST COMPANY

By: _____
Name: Josephine Libunao
Title: Vice President

BNY WESTERN TRUST COMPANY
Legal Title of Bank

LOS ANGELES
City

CA 90017
State Zip Code

Transmitted to InterCept on 01/27/2004. Confirmation Number - 0015209

FDIC Certificate Number - 23472

FFIEC 041
RC-1

11

Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for December 31, 2003

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

Schedule RC—Balance Sheet

Dollar Amounts in Thousands			RCON	Bil | Mil | Thou	
ASSETS					
1. Cash and balances due from depository institutions (from Schedule RC-A):					
a. Noninterest-bearing balances and currency and coin (1)			0081	11,732	1.a
b. Interest-bearing balances (2)			0071	0	1.b
2. Securities:					
a. Held-to-maturity securities (from Schedule RC-B, column A)			1754	0	2.a
b. Available-for-sale securities (from Schedule RC-B, column D)			1773	15,365	2.b
3. Federal funds sold and securities purchased under agreements to resell:					
a. Federal funds sold			B987	23,200	3.a
b. Securities purchased under agreements to resell (3)			B989	97,000	3.b
4. Loans and lease financing receivables (from Schedule RC-C):					
a. Loans and leases held for sale			5369	0	4.a
b. Loans and leases, net of unearned income	B528	0			4.b
c. LESS: Allowance for loan and lease losses	3123	0			4.c
d. Loans and leases, net of unearned income and allowance (item 4.b minus 4.c)			B529	0	4.d
5. Trading assets (from Schedule RC-D)			3545	0	5
6. Premises and fixed assets (including capitalized leases)			2145	961	6
7. Other real estate owned (from Schedule RC-M)			2150	0	7
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)			2130	0	8
9. Customers' liability to this bank on acceptances outstanding			2155	0	9
10. Intangible assets					
a. Goodwill			3163	176,456	10.a
b. Other intangible assets (from Schedule RC-M)			0426	0	10.b
11. Other assets (from Schedule RC-F)			2160	14,410	11
12. Total assets (sum of items 1 through 11)			2170	339,124	12

(1) Includes cash items in process of collection and unposted debits.
(2) Includes time certificates of deposit not held for trading.
(3) Includes all securities resale agreements, regardless of maturity.

Schedule RC - Continued

Dollar Amounts in Thousands			RCON	Bil | Mil | Thou	
LIABILITIES					
13. Deposits:					
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E)			2200	12,035	13.a
(1) Noninterest-bearing (1)	6631	12,035			13.a.1
(2) Interest-bearing	6636	0			13.a.2
b. Not applicable					
14. Federal funds purchased and securities sold under agreements to repurchase					
a. Federal funds purchased (2)			B993	0	14.a
b. Securities sold under agreements to repurchase (3)			B995	0	14.b
15. Trading liabilities (from Schedule RC-D)			3548	0	15
16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases) (from Schedule RC-M):			3190	58,000	16
17. Not applicable					
18. Bank's liability on acceptances executed and outstanding			2920	0	18
19. Subordinated notes and debentures (4)			3200	0	19
20. Other liabilities (from Schedule RC-G)			2930	26,082	20
21. Total liabilities (sum of items 13 through 20)			2948	**96,117**	21
22. Minority interest in consolidated subsidiaries			3000	0	22
EQUITY CAPITAL					
23. Perpetual preferred stock and related surplus			3838	0	23
24. Common stock			3230	1,000	24
25. Surplus (exclude all surplus related to preferred stock)			3839	199,205	25
26. a. Retained earnings			3632	42,752	26.a
b. Accumulated other comprehensive income (5)			B530	50	26.b
27. Other equity capital components (6)			A130	0	27
28. Total equity capital (sum of items 23 through 27)			3210	**243,007**	28
29. Total liabilities, minority interest, and equity capital (sum of items 21, 22, and 28)			3300	**339,124**	29

Memorandum

To be reported with the March Report of Condition.

	RCON	Number	
1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 2002	6724	N/A	M. 1

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank
2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)
3 = Attestation on bank management's assertion on the effectiveness of the bank's internal control over financial reporting by a certified public accounting firm
4 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)
5 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)
6 = Review of the bank's financial statements by external auditors
7 = Compilation of the bank's financial statements by external auditors
8 = Other audit procedures (excluding tax preparation work)
9 = No external audit work

(1) Includes total demand deposits and noninterest-bearing time and savings deposits.
(2) Report overnight Federal Home Loan Bank advances in Schedule RC, item 16, "other borrowed money."
(3) Includes all securities repurchase agreements, regardless of maturity.
(4) Includes limited-life preferred stock and related surplus.
(5) Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, and minimum pension liability adjustments.
(6) Includes treasury stock and unearned Employee Stock Ownership Plan shares.

23285

MEMORANDUM OF SUBLEASE

2231-10-0022

THIS SUBLEASE, executed as of the 17th day of September, 1966, between SAN LUIS OBISPO BAY PROPERTIES, INC., a corporation, hereinafter called "Properties", and PACIFIC GAS AND ELECTRIC COMPANY, a corporation, hereinafter called "Pacific",

W I T N E S S E T H:

The parties do hereby agree as follows:

1. Properties hereby leases to Pacific, and Pacific hires from Properties that certain real property situated in the County of San Luis Obispo, State of California, described as:

PARCEL P: A parcel of land containing 585 acres more or less, more particularly described in Exhibit A attached and by this reference incorporated herein, the site of a multiple-unit electric generating station and appurtenant facilities;

PARCEL T: Easements and rights of way to construct, operate, maintain, repair, reconstruct, replace, and remove electric, oil, and gas transmission lines, and incidental rights, on, under, along, and in a parcel of land containing 420 acres, more or less, more particularly described in Exhibit B attached and by this reference incorporated herein;

PARCEL R: Easements and rights of way for a road and other facilities extending from existing public roads to Parcel P along the route and for the uses and purposes set forth in Exhibit C attached and by this reference incorporated herein;

TOGETHER WITH the right to construct a reservoir on Parcel T or to flood and overflow said land by a reservoir constructed on Parcel P, and to use said reservoir for the storage of fresh water manufactured at said generating station;

NOV 14 1966 23285

23270 to
23272 Copies
23273 Ltr
2 3280 Mem
23281 U.C.C.
23282-Rel
23283 U.C.C.
23284-Rel

PGE 00753

AND ALSO certain interests in Parcel L defined in Exhibit D attached hereto and by this reference incorporated herein;

EXCEPTING THEREFROM and reserving to Properties:

a. All of Properties' right to the water which now flows or may hereafter flow in Diablo Creek, whether on or under the surface of the demised premises, and the right to enter upon the demised premises for the purpose of diverting the said water in such manner as will not unreasonably interfere with Pacific's exercise of its rights hereunder; and

b. The right to dispose of all borrow or fill materials which may result from Pacific's construction in the exercise of its rights hereunder, and which are not needed by Pacific for fill in connection with its construction.

2. This sublease is made for the term and upon and subject to the covenants, conditions and provisions set forth in that certain sublease of even date herewith between the parties hereto covering the property hereinabove described, and said sublease is hereby incorporated herein with the same force and effect as though herein set forth at length.

IN WITNESS WHEREOF, Properties and Pacific have executed this sublease on the date first hereinabove set forth.

SAN LUIS OBISPO BAY PROPERTIES, INC. Sublessor	PACIFIC GAS AND ELECTRIC COMPANY Sublessee
By Robert E. Marr per	By [signature]
Attest Robert A. Knight Sec.	Attest [signature]

DIVN. SBB
DEC. MCD
LAW WG

State of California)
) ss.
City and County of San Francisco)

On this 19th day of SEPTEMBER, in the year 1966, before me, Rita J. Green a Notary Public in and for the said City and County, duly commissioned and sworn, personally appeared R. L. HAYDEN and J. F. TAYLOR known to me to be the SENIOR VICE PRESIDENT and ASST. SECRETARY of the corporation that executed the within and foregoing instrument, and to be the persons who executed the said instrument on behalf of said corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, in the City and County of San Francisco, the day and year in this certificate first above written.

Rita J. Green
Rita J. Green
Notary Public in and for the City and County of San Francisco, State of California
My Commission Expires July 16, 1967

PGE 00755

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN LUIS OBISPO)

On this 20th day of September, in the year 1966, before me, Elizabeth F. Barber, a Notary Public in and for the said San Luis Obispo County, duly commissioned and sworn, personally appeared Robert B. Mansi and Robert G. Knight known to me to be the President and Secretary of the corporation that executed the within and foregoing instrument, and to be the persons who executed the said instrument on behalf of said corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, in the County of San Luis Obispo, the day and year in this certificate first above written.

Elizabeth F. Barber

Notary Public in and for the
County of San Luis Obispo,
State of California

ELIZABETH F. BARBER
NOTARY PUBLIC
SAN LUIS OBISPO COUNTY
CALIFORNIA

ELIZABETH F. BARBER
My Commission Expires Aug. 23, 1970

EXHIBIT A

DESCRIPTION OF PARCEL P

PTN LOTS 10, 12, 13, 15, 14

P-15

A portion of Lots 4, 5, and 6 of the Subdivisions of "Part of Rancho El Pecho, The Property of L. Marre, Subdivided by Geo. Story C. E. March - 1893", in the County of San Luis Obispo, State of California, according to map filed for record April 15, 1893, in Book B, at page 85 of Maps, in the office of the County Recorder of said County, being a portion of the property conveyed to Luigi Marre by deed recorded in Book 17, at page 431 of Deeds, and more particularly described as follows:

Beginning at a point in the 3604.50 acre parcel of land described in the deed from Ramona W. Hillard to Luigi Marre dated October 11, 1892 and recorded in the office of the County Recorder of the County of San Luis Obispo, State of California in Book 17 of Deeds at page 431 from which the bronze disk marking the United States Coast and Geodetic Survey Triangulation Station Diablo bears south 63° 11' east 650 feet distant and running thence south 8° 58' west approximately 3400 feet to a point in the Ocean Line and running thence along the Ocean to the intersection of the Ocean Line with the Devils Creek Canon; thence up the Devils Canon Creek to a point which bears north 8° 58' east from the point of beginning of this description; thence south 8° 58' west approximately 2140 feet to the point of beginning; containing approximately 585 acres.

PGE 00757

EXHIBIT B

PESCRIPTION OF PARCEL T

Easements (a) to construct, operate, maintain, repair, reconstruct, replace, and remove, at any time and from time to time, electric transmission lines, consisting of one or more lines of towers, poles, and/or other structures, wires and cables, including ground wires, both overhead and underground, for the transmission of electric energy, and for communication purposes, and all necessary and proper foundations, footings, crossarms, and other appliances and fixtures for use in connection with said towers, poles, and/or other structures, wires and cables, and (b) to excavate for, install, replace, maintain and use such pipelines as Pacific shall from time to time elect for conveying gas or oil, with necessary and proper valves and other appliances and fittings, and devices for controlling electrolysis for use in connection with said pipelines, together with rights of way, on, along and in the hereinafter described land which is situate in the County of San Luis Obispo, State of California, and is described as follows:

A portion of Lots 3 and 5 of the Subdivisions of "Part of Rancho El Pecho, The Property of L. Marre, Subdivided by Geo. Story C. E. March - 1893", in the County of San Luis Obispo, State of California, according to map filed for record April 15, 1893, in Book B, at page 85 of Maps, in the office of the County Recorder of said County, being a portion of the property conveyed to Luigi Marre by deed recorded in Book 17, at page 431 of Deeds, and more particularly described as follows:

Beginning at a point in the 3604.50 acre parcel of land described in the deed from Ramona W. Billard to Luigi Marre dated October 11, 1892 and recorded in the office of the County Recorder of the County of San Luis Obispo, State of California, in Book 17 of Deeds at page 431 which point is determined by running north 63° 11' west 650 feet and north 8° 58' east 520 feet from the bronze disk marking the United States Coast and Geodetic Survey Triangulation Station Diablo and running thence north 88° 15' east 6550 feet; thence south 87° 06' east approximately 3390 feet to a point in the easterly bourdary line of the Rancho Pecho y Islay; thence northerly, along the easterly boundary line of said Rancho Pecho y Islay to the intersection of the easterly boundary line of said Rancho Pecho y Islay with the Devils Canon

PGE 00758

Creek; thence westerly down the Devils Canon Creek to a point which bears north 8° 58' east from the point of beginning of this description; thence south 8° 58' west approximately 1620 feet to the point of beginning; containing approximately 420 acres.

TOGETHER WITH:

(a) the right from time to time to trim and to cut down and clear away or otherwise destroy trees and brush now or hereafter on said land and to trim and to cut down and clear away any trees which now or hereafter in the opinion of Pacific may be a hazard to structures installed pursuant hereto, by reason of the danger of falling thereon, or may interfere with the exercise of second party's rights hereunder; provided, however, that all trees which Pacific is hereby authorized to cut and remove, if valuable for timber or wood, shall continue to be the property of first party, but all tops, lops, brush and refuse wood shall be burned or removed by Pacific;

(b) the right from time to time to enlarge, improve, reconstruct, relocate and replace any structures installed pursuant hereto with any other number or type of structures either in the original location or at any alternate location or locations on said land;

(c) the right to install, maintain and use gates in all fences;

(d) the right to mark the location of said land by suitable markers set in the ground; provided, that said markers shall be placed in fences or other locations which will not interfere with any reasonable use Properties or Marre shall make of said land.

Pacific hereby covenants and agrees:

(a) Pacific shall not fence said land;

(b) Pacific shall promptly backfill any excavations

made by it on said land and repair any damage it shall do to private roads on said lands.

Properties reserves the right to use said land for purposes which will not interfere with Pacific's full enjoyment of the rights hereby granted; provided, that Properties shall not erect or construct any building or other structure, drill or operate any well, diminish or add to the ground cover over any of said structures, or deposit or permit or allow to be deposited, earth, rubbish, debris, or any other substance or material, whether combustible or noncombustible, so near to said structures, wires or cables as to constitute a hazard thereto.

Notwithstanding the foregoing restriction, Properties may drill and operate water wells on said land at locations which are more than one hundred (100) feet from the center line of any electric transmission line which Pacific at the time has built or has specific plans to build and if thereafter the operation or maintenance of any well so drilled shall be a hazard to any electric transmission line or be hazardous to operate or maintain by reason of proximity thereto, Pacific shall pay the cost of abandoning the well and drilling a substitute well at a safe location on said land. These restrictions shall be applied reasonably so that Properties shall not be prevented from diverting water reserved from this sublease.

EXHIBIT C

DESCRIPTION OF PARCEL R

The right to construct, maintain, and use a road substantially along the route shown on the map attached hereto and hereby made a part hereof, and to use land owned by Marre within 200 feet on the center line of said road for a distance of 250 feet inland from the inland boundary of that certain parcel of land conveyed to Port San Luis Harbor District by deed dated September 25, 1964, and recorded March 2, 1965, in the Official Records of San Luis Obispo County in Book 1339 at page 714, together with the right

(1) of grading said road for the full width thereof and to extend the cuts and fills for such grading into and on said land to such extent as may be necessary;

(2) from time to time to trim and to cut down and clear away any and all trees or brush as may be necessary in the construction and maintenance of said road and to trim and to cut down and clear away any trees on either side of said strip of land which may be a hazard to said road, or the users thereof, or may interfere with the exercise of Pacific's rights hereunder; provided, however, that Pacific shall burn or remove all tops, lops, brush, and refuse wood; and

(3) to install in, on, under, or along said road and within seventy-five (75) feet of the center line thereof, underground facilities for the transmission of gas, oil, electricity, water, sewage or communications, as may be necessary for the construction or operation of the generating station on Parcel P.

The said road shall be paved and provide two 12-foot lanes for travel with 4-foot shoulders on each side. Pacific shall provide adequate drainage structures, including culverts, to protect said road and the land adjacent thereto.

PGE 00761

Pacific shall not have the right to dedicate said road to public use. A sign reading as follows:

"NOTICE

This is a private road and permission to use the same is revocable at will."

shall be erected and maintained by Pacific along said road at the point of entry upon land owned by Marre.

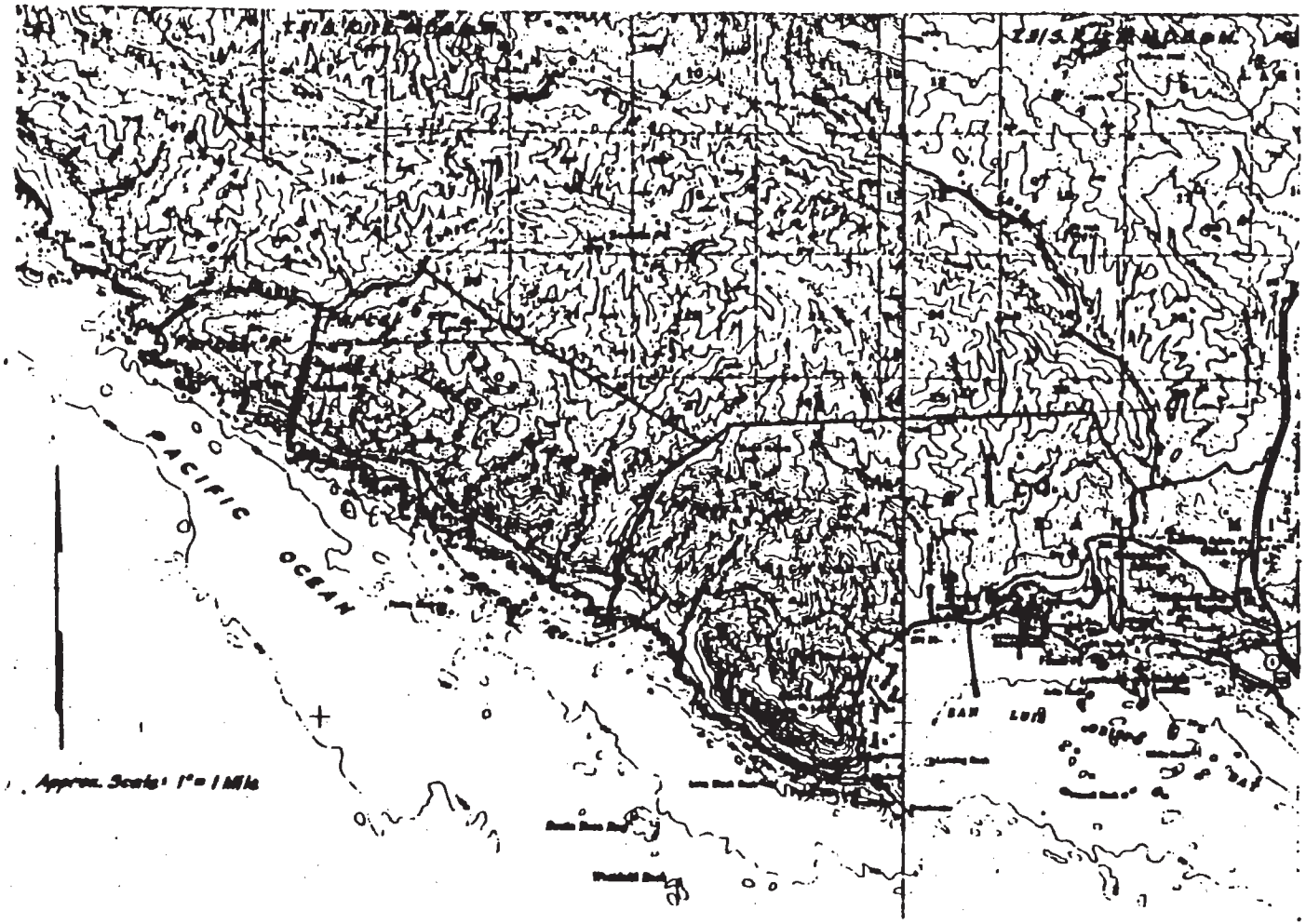
Pacific shall erect and maintain locked gates across the road; provided, however, that Marre or Properties, their employees, licensees, lessees, agents, successors, and assigns, shall have the right to pass through any such locked gate. Each such gate shall be provided with a link chain or other device so that all persons authorized to use the same may open any such gate independently of any other person. Pacific shall keep such gates in good, operable condition and locked at all times, or maintain a gateman at each such gate when such gate is not locked, or take such other precaution as may be agreed upon to prevent unauthorized access to Marre's lands over said road.

The right of way and easement herein granted shall be non-exclusive and Marre and Properties and their employees, licensees, lessees, agents, successors, and assigns shall have the right to use said road in common with Pacific and to permit the joint use of such road by others for purposes which will not interfere with Pacific's full enjoyment of the rights hereby granted; provided, however, that said users shall comply with controls established at gates and to prevent unauthorized access pursuant to Pacific's obligations hereunder; and provided further that the parties and such other users shall share extraordinary maintenance cost of said road in proportion to their use thereof, or as the parties may from time to time agree.

From and after twenty-five (25) years from the date of this agreement, Pacific shall have no right under this sublease to permit employees of its contractors or subcontractors to use

said road for travel to or from Parcel P or T by personal vehicle in the construction of additional units at the generating station unless Pacific shall first obtain the consent of Properties.

PGE 00763



PGE 00764

EXHIBIT D

PARCEL L

A portion of the Rancho Pecho y Islay and the Rancho San Miguelito in the County of San Luis Obispo, State of California, more particularly described as:

Commencing at a point in the middle of Diablo Creek two thousand feet (2000') easterly of the high-tide line; running thence southeasterly along a line two thousand feet (2000') from the high-tide line to the northerly prolongation of the west boundary of the parcel of land described in that certain deed to the United States dated May 28, 1888, and recorded in the office of the County Recorder of said County in Book 1 of Deeds at Page 177; thence south two thousand feet (2000') along said northerly prolongation of the west boundary of said parcel of land to the high-tide line; thence northwesterly along said high-tide line to the center of Diablo Creek; thence easterly along the center line of Diablo Creek to the point of beginning.

Document No. 23285
RECORDED AT REQUEST OF
PAC. GAS & ELECT. CO.
At 4:5 Min. Past 1 P M.
Vol 1916 Official Records P. 468
San Luis Obispo County, Calif.
NOV 14 1966
Mary C. Hamlin
COUNTY RECORDER
By [illegible] Deputy
Fee $ 1.00 Indexed

2231-10-0072

RECORDED AT REQUEST OF:

AND RETURN TO:

COPY of Document Recorded on APR 0 5 1995 as No. 1995-014272
Has not been compared with original.
JULIE L. RODEWALD, COUNTY CLERK-RECORDER

FOR RECORDER'S USE

SHERIFF'S DEED

SAN LUIS OBISPO COUNTY SHERIFF'S DEPARTMENT

[x] UNDER EXECUTION (701.660 AND 701.670 CCP)
[ ] UNDER WRIT OF SALE (FORECLOSURE - 701.670 AND 729.080 CCP)

CASE TITLE: Pacific Gas And Electric Company VS. San Luis Obispo Bay Properties, Inc COURT CASE NO.: 39390

COURT OF ORIGIN San Luis Obispo County Superior (Superior, Municipal or Justice and Judicial District) SHERIFF'S FILE NO.: 93-6282

DATE OF ENTRY OF JUDGMENT June 19, 1980 SUBSEQUENT RENEWAL DATE(S): June 14, 1990

JUDGMENT CREDITOR: Pacific Gas and Electric Company, a corporation
C/O Pillsbury Madison & Sutro, Post Office Box 7880
San Francisco, California 94120

JUDGMENT DEBTOR: Luigi Marre Land and Cattle Company, a corporation,
The Marre Ranch, Avila Beach, CA 93424

GRANTOR: Edward C. Williams, Sheriff, County of San Luis Obispo,
State of California, herein after refered to as the Sheriff

GRANTEE: Eureka Energy Company
77 Beale Street, 32nd Floor, Post Office Box 770000
San Francisco, CA 94177

DESCRIPTION OF PROPERTY: Common address; 3560 Avila Beach Drive, Avila Beach,
San Luis Obispo, CA
Legal description herein described in Exhibit A

WHEREAS, [x] a Writ of Execution, [ ] a Writ of Sale and certified copy of the judgment, was directed and delivered to the Sheriff, together with written instruction by the judgment creditor or his attorney to levy upon and sell the herein referenced judgment debtor's right, title, and interest in the real property herein described. This real property was levied upon by the Sheriff on November 12, 1993 (Date), and said levy was recorded with the S.L.O. County Recorder on November 12, 1993 (Date). After waiting 120 (Number) days, pursuant to Section 701.545 CCP (Writ of Execution), or Section 729.010 CCP (Writ of Sale), I advertised the herein described real property for sale and sold said real property

California, to the highest bidder Pacific Gas and Electric Company (Grantee[s]; Name[s] of Purchaser[s])

who paid $3,600,000.00 (Monetary Amount), being the highest bid. This sale was conducted in accordance the California Code of Civil Procedure and the California Commercial Code (Rules of Auction). April 5, 1995 (Date of Sale)

CALIFORNIA

ALL-PURPOSE

ACKNOWLEDGEMENT

STATE OF CALIFORNIA)

COUNTY OF San Luis Obispo)

On April 5, 1995 before me, SANDRA MODELL, NOTARY PUBLIC----------
DATE NAME, TITLE OF OFFICER E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared, G. ANDERSEN----------

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

WITNESS my hand and official seal.

Sandra Modell (SEAL)
NOTARY PUBLIC SIGNATURE

MGC1 Sandra Modell
Comm. #1035243
NOTARY PUBLIC - CALIFORNIA
SAN LUIS OBISPO COUNTY
Comm Expires Aug 7 1998 MGC1

OPTIONAL INFORMATION

TITLE OR TYPE OF DOCUMENT Sheriff's Deed

DATE OF DOCUMENT _____ NUMBER OF PAGES _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

EXHIBIT A

All right, title and interest of Luigi Marre Land and Cattle Company in the real estate described as follows:

A parcel of land situated in the State of California, County of San Luis Obispo, and described particularly as follows:

PARCEL 1:

All that certain real property situate in the County of San Luis Obispo, State of California, and particularly described as follows, to wit:

Beginning at a willow tree 6 inches in diameter marked L.O. No. 14 H.D. and standing in the intersection of the Easterly line of the Ranchos Canada de Los Osos and Pecho y Islay with the centerline of the Pecho Creek, from said point of beginning, a laurel tree 18 inches in diameter bears North 29 1/2° East, 22 links East, distant and a laurel tree 3 feet in diameter bears South 8°45' East, 45 links distant; and running thence down the Pecho Creek with the following courses and distances:

South 75°30' West, 6.70 chains to an oak tree 15" in diameter marked H.D.1; South 32° West, 6.00 chains to an oak tree 8" in diameter marked H.D.2; South 74° West, 2.00 chains to an oak tree 14" in diameter marked H.D.3; South 41°30' West, 6.34 chains to a stake marked H.D.4; South 53° West, 1.43 chains to a stake marked H.D.5; South 62° West, 3.20 chains to a stake marked H.D.6; South 59 1/2° West, 3.93 chains to an oak tree 24" in diameter marked H.D.7; South 86 1/4° West, 2.31 chains to a stake marked H.D.8; South 26° West, 12.13 chains to an oak tree 12" in diameter marked H.D.9; South 45°30' West, 7.70 chains to a stake marked H.D.10; South 32° West, 3.73 chains to a stake marked H.D.11; South 16° West, 6.69 chains to a stake marked H.D.12; South 43°30' West, 7.00 chains to a stake marked H.D.13; South 31 1/4° West, 8.00 chains to an oak tree 20" in diameter marked H.D.14; South 17°45' West, 7.29 chains to a stake marked H.D.15; South 1°15' West, 4.85 chains to a stake marked H.D.16; South 25°30' West, 7.00 chains to an oak tree 14" in diameter marked H.D.17;

South 34°15' West, 5.16 chains to a stake marked H.D.18; South 2° East, 7.50 chains to a stake marked H.D.19; South 28°30' East, 1.82 chains to a stake marked H.D.20; South 5° West, 11.24 chains to a stake marked H.D.21; South 42° West, 5.40 chains to a stake marked H.D.22; South 2°15' East, 5.60 chains to a stake marked H.D.23; South 14 1/4° West, 7.50 chains to a 4' X 4" redwood stake marked P.1.L.M.H.D. and standing in the intersection of the Pecho Creek with the ocean line and running thence along the ocean with the following courses and distances:

South 86°15' West, 3.20 chains to a stake marked P.2; North 24°15' West, 5.00 chains to a stake marked P.3; North 64° West, 21.5 chains to a stake marked P.4; North 9°45' West, 7.00 chains to a stake marked P.5; North 27°30' West, 3.55 chains to a stake marked P.6; North 69° West, 16.97 chains to a stake marked P.7; North 89° West, 5.02 chains to a stake marked P.8; North 51° West, 4.92 chains to a stake marked P.9; North 57°45' West, 8.00 chains to a stake marked P.10; North 47°30' West, 4.00 chains to a stake marked P.11; North 68°45' West, 12.96 chains to a stake marked P.12; North 16°15' West, 4.77 chains to a stake marked P.13; North 71°45' West, 28.88 chains to a stake marked P.14; North 2° West, 8.87 chains to a stake marked P.15; South 89° West, 2.30 chains to a stake marked P.16; North 62°30' West, 3.19 chains to a stake marked P.17; North 85° West, 5.23 chains to a stake marked P.18; South 66°15' West, 4.80 chains to a stake marked P.19; South 88 3/4° West, 5.75 chains to a stake marked P.20; North 69 1/4° West, 8.53 chains to a stake marked P.21; North 47 1/4° East, 4.56 chains to a stake marked P.22; North 3°45' East, 4.54 chains to a stake marked P.23; North 69°15' West, 5.18 chains to a stake marked P.24; North 76°30' West, 6.87 chains to a stake marked P.25; North 23° West, 7.16 chains to a stake marked P.26; South 83°15' West, 5.90 chains to a stake marked P.27; North 1°15' East, 11.27 chains to a stake marked P.28; North 89°30' West, 18.97 chains to a stake marked P.29; North 31°30' West, 9.20 chains to a stake marked P.30; North 58°30' West, 5.26 chains to a stake marked P.31; South 86° West, 16.68 chains to a stake marked P.32; North 50°45' West, 4.85 chains to a stake marked P.33; North 84° West, 9.29 chains to a stake marked P.34; North 37°15' West, 5.49 chains to a stake marked P.35; North 67°30' West, 13.95 chains to a stake marked P.36; North 2° West, 5.77 chains to a stake marked P.37; North 45° West, 16.00 chains to a stake marked P.38; South 82°3/4' West, 9.60 chains to a stake marked P.39; North 72°30' West, 10.00 chains to a stake marked P.40; North 16°45' East, 8.68 chains to a stake marked P.41; North 42°30' West, 3.85 chains to a stake marked P.42; North 78°30' West, 15.81 chains to a stake marked P.43; North 54°15' West, 4.37 chains to a stake marked P.44; North 16°30' East, 4.24 chains to a stake marked P.45;

North 65°30' West, 10.00 chains to a stake marked P.46; North 73°30' West, 28.40 chains to a stake marked P.47; North 52°15' East, 3.90 chains to a stake marked P.48; North 25°15' East, 6.00 chains to a stake marked P.49; North 23° West, 7.89 chains to a stake marked P.50; North 47°15' West, 1.68 chains to a 4" x 4" redwood stake marked P.52, L.M.H.D., standing in the intersection of the ocean line with the Devils Canon Creek, from which stake a stake marked W.S. bears South 1°45' West, 1.00 chains distant and also from which the Seal Rock bears North 64°45' West, and running thence up the Devils Canon Creek with the following courses and distances:

North 50° East, 4.20 chains to a stake marked M.1; North 29°45' East, 3.60 chains to an oak tree 8" in diameter marked M.2; North 57°30' East, 3.00 chains to a stake marked M.3; North 39°15' East, 7.57 chains to a stake marked M.4; North 53°45' East, 15.30 chains to a stake marked M.5; South 85°30' East, 10.00 chains to an oak tree 8" in diameter marked M.6; North 81° East, 4.18 chains to a stake marked M.7; North 54° East, 1.10 chains to a stake marked M.8; North 67 1/4° East, 2.62 chains to an oak tree 12" in diameter marked M.9; North 53° East, 7.00 chains to a stake marked M.10; South 78° East, 5.24 chains to an oak tree 12" in diameter marked M.11; South 88° East, 2.85 chains to a stake marked M.12; South 55°45; East, 6.40 chains to a stake marked M.13; South 82 1/2° East, 9.10 chains to a stake marked M.14; North 83°10' East, 6.48 chains to an oak tree 10" in diameter marked M.15; North 77° East, 3.08 chains to an oak tree 8" in diameter marked M.16; South 88°30' East, 3.00 chains to a stake marked M.17; South 76°15' East, 3.58 chains to an oak tree 10" in diameter marked M.18; South 60°15' East, 6.50 chains to an oak tree 24" in diameter marked M.19; South 44°15' East, 3.60 chains to a stake marked M.20; South 60°30' East, 3.85 chains to a stake marked M.21; South 67°45' East, 1.52 chains to a stake marked M.22; North 84° East, 1.37 chains to a stake marked M.23; North 72°30' East, 1.65 chains to a stake marked M.24; North 60° East, 6.65 chains to a stake marked M.25; North 63°30' East, 1.83 chains to a stake marked M.26; North 50° East, 2.83 chains to a stake marked M.27; North 89°45' East, 4.00 chains to a stake marked M.28; North 68 1/2° East, 2.73 chains to an oak tree 30" in diameter marked M.29; North 84°45' East, 2.46 chains to a stake marked M.30; North 4° East, 0.95 chains to an oak tree 15" in diameter marked M.31; North 85°45' East, 3.79 chains to an oak tree 6" in diameter marked M.32; North 55°15' East, 11.30 chains to an oak tree 18" in diameter marked M.33; North 71° East, 4.20 chains to an oak tree 18" in diameter marked M.34; South 89°45' East, 2.50 chains to an oak tree 36" in diameter marked M.35;

South 72°15' East, 5.70 chains to an oak tree 24" in diameter marked M.36; South 85°30' East, 3.00 chains to an oak tree 15" in diameter marked M.37; South 80°15' East, 2.00 chains to an oak tree 18" in diameter marked M.38; North 78 3/4° East, 6.92 chains to an oak tree 15" in diameter marked M.39'; North 35° East, 4.82 chains to an oak tree 8" in diameter marked M.40; North 49 1/2° East, 5.16 chains to a stake marked M.41; North 27° East, 3.18 chains to an oak tree 8" in diameter marked M.42, and; North 5°45' West, 3.69 chains to a live oak 3 feet in diameter marked L.M.P. No. 4, and standing in the intersection of the Easterly line of the said Pecho y Islay Rancho with the Devils Creek line; and running thence South 55° East, 61.50 chains to a live oak tree 18" in diameter marked L.O. No. 15; and thence South 60° East, 160.20 chains to the place of beginning and being a part of the Rancho Pecho y Islay in San Luis Obispo County, State of California.

EXCEPTING, however, therefrom the right of the United States of America to take water from Islay Creek and convey the same to the United States Light House near Port San Luis Obispo, as granted by Ramona W. Hillard to the United States of America, by deed dated May 29, 1890 and recorded in Book 8, Page 222 of Deeds, Records of said County.

Said property is shown as Lots 1 to 6 both inclusive, according to map of part of Rancho El Pecho, the property of L. Marre, filed for record April 15, 1893 in Book B, Page 85 of Maps, in the office of the County Recorder of said County.

EXCEPT therefrom any portion thereof lying seaward of the boundary described in Diablo Canyon Boundary Agreement, recorded August 28, 1969 in Book 1529, Page 331 of Official Records.

PARCEL 2:

Lots T, U, V, W, X, Y, and Z of the Rancho San Miguelito, in the County of San Luis Obispo, State of California, according to plat of the Rancho San Miguelito, San Luis Obispo County, owned by J. Harford, and recorded May 29, 1880 in Book B, Page 96 of Maps, in the office of the County Recorder of said County.

EXCEPT therefrom that portion of said land conveyed to San Luis Obispo and Santa Maria Valley Railroad Company, a corporation by Deeds recorded in Book G, Page 351 of Deeds and in Book H, Page 303 of Deeds.

ALSO EXCEPT from said Lot Z, 30 acres, more or less, conveyed to the United States of America, by deed dated May 28, 1888 and recorded in Book 1, Page 177 of Deeds.

ALSO EXCEPT from Lot Y, 20 acres, more or less, conveyed to the Union Oil Company of California, a corporation, by deed recorded in Book 69, Page 22 of Deeds.

ALSO EXCEPT from Lots Y and Z that certain parcel of land conveyed to Angela L. Marre, by deed dated October 15, 1930 and recorded in Book 96, Page 460 of Official Records.

ALSO EXCEPT from Lot Y, that portion conveyed to Port San Luis Transportation Co., by deed dated December 4, 1942 and recorded in Book 335, Page 259 of Official Records.

ALSO EXCEPT from those portions of Lots Y and Z described in that certain deed recorded February 11, 1959 in Book 982, Page 396 of Official Records, all of the interest of Luigi Marre Land and Cattle Company, in and to the oil, gas and other minerals of every kind and character in, on or under said land, as conveyed to Louis J. Marre and Tressa B. Marre, by deed dated January 14, 1959 and recorded February 11, 1959 in Book 982, Page 396 of Official Records.

ALSO EXCEPT therefrom any portion of said land lying seaward of the boundary described in San Luis Obispo Bay Boundary Agreement recorded May 1, 1970 in Book 1563, Page 588 of Official Records.

ALSO EXCEPT from said Lot Z, that portion thereof described in the Deed to Port San Luis Harbor District, recorded November 20, 1974 in Book 1806, Page 771 of Official Records.

ALSO EXCEPT from Lots V and Y those portions thereof described in the Deed to San Miguelito Park Company recorded December 14, 1965 in Book 1419, Page 265 of Official Records.

ALSO EXCEPT from Lot Y that portion thereof shown on map filed for record February 17, 1970 in Book 1, Page 36 of Miscellaneous Maps, in the office of the County Recorder of said County.

1995 0112 72

2231-10-0072

RECORDING REQUESTED BY:

SHERIFF, SAN LUIS OBISPO COUNTY

RETURN TO:

SHERIFF'S CIVIL ENFORCEMENT BUREAU
COUNTY GOVERNMENT CENTER
1050 MONTEREY STREET, ROOM 239
SAN LUIS OBISPO, CA 93408

FOR RECORDERS USE ONLY

Doc No: 1995-014272 Rec No: 00017241

Official Records
San Luis Obispo Co.
Julie L. Rodewald
Recorder
Apr 05, 1995
Time: 14:17

[9]

RF	31.00
UN	3,960.00
SMF	10.00
TOTAL	4,001.00

DOCUMENT TITLE: SHERIFF'S DEED

SURVEY MONUMENT FEE $10.00

NAME OF COURT: San Luis Obispo County Superior
STREET ADDRESS: 1050 Monterey Street, Room 385
MAILING ADDRESS: 1050 Monterey Street, Room 385
CITY & ZIP CODE: San Luis Obispo, CA 93408
BRANCH NAME: San Luis Obispo
COURT CASE NUMBER: 39390

FEED	FEE PAID	EXEMPT	OUT OF STATE

PLAINTIFF: Pacific Gas And Electric Company, a Corporation

DEFENDANT: San Luis Obispo Bay Properties, Inc., a Corporation

LEVYING OFFICER: G. Andersen

SAN LUIS OBISPO COUNTY SHERIFF'S OFFICE
CIVIL ENFORCEMENT BUREAU
P.O. BOX 32
SAN LUIS OBISPO, CA 93406
(805) 781-5484

LEVY OFFICER FILE NUMBER: 93-6282

The undersigned declares that the Documentary Transfer Tax payable hereon is $ 3960.00
X Computed on full value of property conveyed.
..... Computed on full value less liens and encumbrances remaining at time of sale.
Signature [signature]

76-011-018
76-151-005
76-151-006
76-151-007
76-151-009
76-151-010
76-151-011
76-161-001
76-161-002
76-161-004
76-171-014
76-171-016
76-171-017
76-171-018
76-171-019
76-171-021
76-172-016
76-172-020
76-172-021
76-172-022

MAIL TAXES TO

EUREKA ENERGY COMPANY
77 BEALE STREET, 32nd FLOOR
POST OFFICE BOX 770000
SAN FRANCISCO, CA
94177

1995 0142 72

RECORDED AT REQUEST OF:

AND RETURN TO:

FOR RECORDER'S USE

SHERIFF'S DEED

SAN LUIS OBISPO COUNTY SHERIFF'S DEPARTMENT

[x] UNDER EXECUTION (701.660 AND 701.670 CCP)

[ ] UNDER WRIT OF SALE (FORECLOSURE - 701.670 AND 729.080 CCP)

CASE TITLE: Pacific Gas And Electric Company VS. San Luis Obispo Bay Properties, Inc COURT CASE NO.: 39390

COURT OF ORIGIN San Luis Obispo County Superior (Superior, Municipal or Justice and Judicial District) SHERIFF'S FILE NO.: 93-6282

DATE OF ENTRY OF JUDGMENT June 19, 1980 SUBSEQUENT RENEWAL DATE(S): June 14, 1990

JUDGMENT CREDITOR: Pacific Gas and Electric Company, a corporation
C/O Pillsbury Madison & Sutro, Post Office Box 7880
San Francisco, California 94120

JUDGMENT DEBTOR: Luigi Marre Land and Cattle Company, a corporation,
The Marre Ranch, Avila Beach, CA 93424

GRANTOR: Edward C. Williams, Sheriff, County of San Luis Obispo,
State of California, herein after refered to as the Sheriff

GRANTEE: Eureka Energy Company
77 Beale Street, 32nd Floor, Post Office Box 770000
San Francisco, CA 94177

DESCRIPTION OF PROPERTY: Common address; 3560 Avila Beach Drive, Avila Beach,
San Luis Obispo, CA
Legal description herein described in Exhibit A

WHEREAS, [x] a Writ of Execution, [ ] a Writ of Sale and certified copy of the judgment, was directed and delivered to the Sheriff, together with written instruction by the judgment creditor or his attorney to levy upon and sell the herein referenced judgment debtor's right, title, and interest in the real property herein described. This real property was levied upon by the Sheriff on November 12, 1993 (Date), and said levy was recorded with the S.L.O. County Recorder on November 12, 1993 (Date). After waiting 120 (Number) days, pursuant to Section 701.545 CCP (Writ of Execution), or Section 729.010 CCP (Writ of Sale), I advertised the herein described real property for sale and sold said real property

California, to the highest bidder Pacific Gas and Electric Company (Grantee(s); Name(s) of Purchaser(s)), who paid $3,600,000.00 (Monetary Amount), being the highest bid. This sale was conducted in accordance the California Code of Civil Procedure and the California Commercial Code (Rules of Auction). April 5, 1995 (Date of Sale)

SHERIFF'S DEED

6-26

1995-0112712

SHORT TITLE:	CASE NUMBER:
P G & E vs San Luis Bay Properties	39390

SHERIFF'S DEED (CONTINUED)

(If Applicable) ☐ Under Writ of Sale, I hereby certify that the herein named Grantee (Purchaser) was issued a certificate of sale on _____ (Date). Said certificate was recorded with the ----- County Recorder on _____ (Date). The described real property was sold subject to the right of redemption pursuant to Section 729.010 CCP. The redemption period of _____ (Number) months has passed without the real property being redeemed. I am therefore issuing this deed pursuant to Section 729.080 CCP.

I, THE SHERIFF, by virtue of said Writ, and in pursuance of the Code of Civil Procedure, do grant, sell, convey unto the purchaser(s) herein named and identified as Grantee(s), all right, title, and interest of the herein named judgment debtor in the real property described in this deed.

IN WITNESS WHEREOF, I have hereunto set my hand this 5 day of April, 19 95.

Edward C. Williams, Sheriff
San Luis Obispo County
State of California

By _____
G. Andersen, Deputy Sheriff
Levy Officer

CALIFORNIA

ALL-PURPOSE

ACKNOWLEDGEMENT

STATE OF CALIFORNIA)

COUNTY OF San Luis Obispo)

On April 5, 1995 (DATE) before me, SANDRA MODELL, NOTARY PUBLIC (NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC")

personally appeared, G. ANDERSEN

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

WITNESS my hand and official seal.

Sandra Modell (SEAL)

NOTARY PUBLIC SIGNATURE

MGC1 Sandra Modell Comm. #1035243 NOTARY PUBLIC - CALIFORNIA SAN LUIS OBISPO COUNTY Comm. Expires Aug 7 1998 MGC1

OPTIONAL INFORMATION

TITLE OR TYPE OF DOCUMENT Sheriff's Deed

DATE OF DOCUMENT _____ NUMBER OF PAGES _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

EXHIBIT A

LEGAL DESCRIPTION

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South 86°15' West, 3.20 chains to a stake marked P.2; North 24°15' West, 5.00 chains to a stake marked P.3; North 64° West, 21.5 chains to a stake marked P.4; North 9°45' West, 7.00 chains to a stake marked P.5; North 27°30' West, 3.55 chains to a stake marked P.6; North 69° West, 16.97 chains to a stake marked P.7; North 89° West, 5.02 chains to a stake marked P.8; North 51° West, 4.92 chains to a stake marked P.9; North 57°45' West, 8.00 chains to a stake marked P.10; North 47°30' West, 4.00 chains to a stake marked P.11; North 68°45' West, 12.96 chains to a stake marked P.12; North 16°15' West, 4.77 chains to a stake marked P.13; North 71°45' West, 28.88 chains to a stake marked P.14; North 2° West, 8.87 chains to a stake marked P.15; South 89° West, 2.30 chains to a stake marked P.16; North 62°30' West, 3.19 chains to a stake marked P.17; North 85° West, 5.23 chains to a stake marked P.18; South 66°15' West, 4.80 chains to a stake marked P.19; South 88 3/4° West, 5.[illegible] chains to a stake marked P.20; North 69 1/4° West, 8.53 chains to a stake marked P.21; North 47 1/4° East, 4.56 chains to a stake marked P.22; North 3°45' East, 4.54 chains to a stake marked P.23; North 69°15' West, 5.18 chains to a stake marked P.24; North 76°30' West, 6.87 chains to a stake marked P.25; North 23° West, 7.16 chains to a stake marked P.26; South 83°15' West, 5.90 chains to a stake marked P.27; North 1°15' East, 11.27 chains to a stake marked P.28; North 89°30' West, 18.97 chains to a stake marked P.29; North 31°30' West, 9.20 chains to a stake marked P.30; North 58°30' West, 5.26 chains to a stake marked P.31; South 86° West, 16.68 chains to a stake marked P.32; North 50°45' West, 4.85 chains to a stake marked P.33; North 84° West, 9.29 chains to a stake marked P.34; North 37°15' West, 5.49 chains to a stake marked P.35; North 67°30' West, 13.95 chains to a stake marked P.36; North 2° West, 5.77 chains to a stake marked P.37; North 45° West, 16.00 chains to a stake marked P.38; South 82°3/4' West, 9.60 chains to a stake marked P.39; North 72°30' West, 10.00 chains to a stake marked P.40; North 16°45' East, 8.68 chains to a stake marked P.41; North 42°30' West, 3.85 chains to a stake marked P.42; North 78°30' West, 15.81 chains to a stake marked P.43; North 54°15' West, 4.37 chains to a stake marked P.44; North 16°30' East, 4.24 chains to a stake marked P.45;

North 65°30' West, 10.00 chains to a stake marked P.46; North 73°30' West, 28.40 chains to a stake marked P.47; North 52°15' East, 3.90 chains to a stake marked P.48; North 25°15' East, 6.00 chains to a stake marked P.49; North 23° West, 7.89 chains to a stake marked P.50; North 47°15' West, 1.68 chains to a 4" x 4" redwood stake marked P.52, L.M.H.D., standing in the intersection of the ocean line with the Devils Canon Creek, from which stake a stake marked W.S. bears South 1°45' West, 1.00 chains distant and also from which the Seal Rock bears North 64°45' West, and running thence up the Devils Canon Creek with the following courses and distances:

North 50° East, 4.20 chains to a stake marked M.1; North 29°45' East, 3.60 chains to an oak tree 8" in diameter marked M.2; North 57°30' East, 3.00 chains to a stake marked M.3; North 39°15' East, 7.57 chains to a stake marked M.4; North 53°45' East, 15.30 chains to a stake marked M.5; South 85°30' East, 10.00 chains to an oak tree 8" in diameter marked M.6; North 81° East, 4.18 chains to a stake marked M.7; North 54° East, 1.10 chains to a stake marked M.8; North 67 1/4° East, 2.62 chains to an oak tree 12" in diameter marked M.9; North 53° East, 7.00 chains to a stake marked M.10; South 78° East, 5.24 chains to an oak tree 12" in diameter marked M.11; South 88° East, 2.85 chains to a stake marked M.12; South 55°45; East, 6.40 chains to a stake marked M.13; South 82 1/2° East, 9.10 chains to a stake marked M.14; North 83°15' East, 6.48 chains to a oak tree 10" in diameter marked M.15; North 77° East, 3.08 chains to an oak tree 8" in diameter marked M.16; South 88°30' East, 3.00 chains to a stake marked M.17; South 76°15' East, 3.58 chains to an oak tree 10" in diameter marked M.18; South 60°15' East, 6.50 chains to an oak tree 24" in diameter marked M.19; South 44°15' East, 3.60 chains to a stake marked M.20; South 60°30' East, 3.85 chains to a stake marked M.21; South 67°45' East, 1.52 chains to a stake marked M.22; North 84° East, 1.37 chains to a stake marked M.23; North 72°30' East, 1.65 chains to a stake marked M.24; North 60° East, 6.65 chains to a stake marked M.25; North 63°30' East, 1.83 chains to a stake marked M.26; North 50° East, 2.83 chains to a stake marked M.27; North 89°45' East, 4.00 chains to a stake marked M.28; North 68 1/2° East, 2.73 chains to an oak tree 30" in diameter marked M.29; North 84°45' East, 2.46 chains to a stake marked M.30; North 4° East, 0.95 chains to an oak tree 15" in diameter marked M.31; North 85°45' East, 3.79 chains to an oak tree 6" in diameter marked M.32; North 55°15' East, 11.30 chains to an oak tree 18" in diameter marked M.33; North 71° East, 4.20 chains to an oak tree 18" in diameter marked M.34; South 89°45' East, 2.50 chains to an oak tree 36" in diameter marked M.35;

South 72°15' East, 5.70 chains to an oak tree 24" in diameter marked M.36; South 85°30' East, 3.00 chains to an oak tree 15" in diameter marked M.37; South 80°15' East, 2.00 chains to an oak tree 18" in diameter marked M.38; North 78 3/4° East, 6.92 chains to an oak tree 15" in diameter marked M.39'; North 35° East, 4.82 chains to an oak tree 8" in diameter marked M.40; North 49 1/2° East, 5.16 chains to a stake marked M.41; North 27° East, 3.18 chains to an oak tree 8" in diameter marked M.42, and; North 5°45' West, 3.69 chains to a live oak 3 feet in diameter marked L.M.P. No. 4, and standing in the intersection of the Easterly line of the said Pecho y Islay Rancho with the Devils Creek line; and running thence South 55° East, 61.50 chains to a live oak tree 18" in diameter marked L.O. No. 15; and thence South 60° East, 160.20 chains to the place of beginning and being a part of the Rancho Pecho y Islay in San Luis Obispo County, State of California.

EXCEPTING, however, therefrom the right of the United States of America to take water from Islay Creek and convey the same to the United States Light House near Port San Luis Obispo, as granted by Ramona W. Hillard to the United States of America, by deed dated May 29, 1890 and recorded in Book 8, Page 222 of Deeds, Records of said County.

Said property is shown as Lots 1 to 6 both inclusive, according to map of part of Rancho El Pecho, the property of L. Marre, filed for record April 15, 1893 in Book B, Page 85 of Maps, in the office of the County Recorder of said County.

EXCEPT therefrom any portion thereof lying seaward of the boundary described in Diablo Canyon Boundary Agreement, recorded August 28, 1969 in Book 1529, Page 331 of Official Records.

PARCEL 2:

Lots T, U, V, W, X, Y, and Z of the Rancho San Miguelito, in the County of San Luis Obispo, State of California, according to plat of the Rancho San Miguelito, San Luis Obispo County, owned by J. Harford, and recorded May 29, 1880 in Book B, Page 96 of Maps, in the office of the County Recorder of said County.

EXCEPT therefrom that portion of said land conveyed to San Luis Obispo and Santa Maria Valley Railroad Company, a corporation by Deeds recorded in Book G, Page 351 of Deeds and in Book H, Page 303 of Deeds.

ALSO EXCEPT from said Lot Z, 30 acres, more or less, conveyed to the United States of America, by deed dated May 28, 1888 and recorded in Book 1, Page 177 of Deeds.

ALSO EXCEPT from Lot Y, 20 acres, more or less, conveyed to the Union Oil Company of California, a corporation, by deed recorded in Book 69, Page 22 of Deeds.

ALSO EXCEPT from Lots Y and Z that certain parcel of land conveyed to Angela L. Marre, by deed dated October 15, 1930 and recorded in Book 96, Page 460 of Official Records.

ALSO EXCEPT from Lot Y, that portion conveyed to Port San Luis Transportation Co., by deed dated December 4, 1942 and recorded in Book 335, Page 259 of Official Records.

ALSO EXCEPT from those portions of Lots Y and Z described in that certain deed recorded February 11, 1959 in Book 982, Page 396 of Official Records, all of the interest of Luigi Marre Land and Cattle Company, in and to the oil, gas and other minerals of every kind and character in, on or under said land, as conveyed to Louis J. Marre and Tressa B. Marre, by deed dated January 14, 1959 and recorded February 11, 1959 in Book 982, Page 396 of Official Records.

ALSO EXCEPT therefrom any portion of said land lying seaward of the boundary described in San Luis Obispo Bay Boundary Agreement recorded May 1, 1970 in Book 1563, Page 588 of Official Records.

ALSO EXCEPT from said Lot Z, that portion thereof described in the Deed to Port San Luis Harbor District, recorded November 20, 1974 in Book 1806, Page 771 of Official Records.

ALSO EXCEPT from Lots V and Y those portions thereof described in the Deed to San Miguelito Park Company recorded December 14, 1965 in Book 1419, Page 265 of Official Records.

ALSO EXCEPT from Lot Y that portion thereof shown on map filed for record February 17, 1970 in Book 1, Page 36 of Miscellaneous Maps, in the office of the County Recorder of said County.

END OF DOCUMENT



This is a true and correct copy of the record if it bears the county seal and is printed in purple ink

Julie L. Rodewald, Clerk-Recorder

By Naomi B Ramos Deputy

San Luis Obispo County, California

AUG 0 7 2002

LEASE

THIS LEASE is executed in duplicate at San Luis Obispo, California, on April 17, 1966, between the LUIGI MARRE LAND AND CATTLE COMPANY, a California corporation, hereinafter called "Lessor", and SAN LUIS OBISPO BAY PROPERTIES, INC., a California corporation, hereinafter called "Lessee".

IT IS AGREED between the parties hereto as follows:

1. DESCRIPTION OF PREMISES.

The premises demised and let hereby are described in documents attached hereto and marked as exhibits as follows, each of which is expressly incorporated herein as though fully set forth at this point:

Exhibit "A" - Description of Parcel "P"

Exhibit "B" - Description of Parcel "T"

Exhibit "C" - Description of Parcel "R"

Exhibit "D" - Description of Parcel "L"

2. TERM.

The term of the within lease shall be for ninety-nine (99) years, and Lessee shall have the option to renew this lease on the same terms and conditions for an additional term thereafter not to exceed ninety-nine (99) years. Said option to be exercised by Lessee giving written notice to Lessor on or before sixteen (16) years prior to the expiration of the term.

If the term of this lease, or any option for the renewal or extension thereof, is in excess of the term of a lease permitted by law, or would cause this lease to be invalid unless such term was limited, or any option to renew or any possible extension invalidated, then the term of this lease shall be for the maximum period permitted by law, and any right of extension or option for renewal beyond such maximum

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permissible period shall be of no force or effect and shall be disregarded in interpreting this lease.

3. RENT.

Rental payments under this lease are to be made semi-annually in advance EXCEPT that the first rental payment shall not be made until the 10th day of January, 1967. Thereafter payments are to be made on the anniversary date hereof and six calendar months thereafter; provided, however, that if payment is not made on the exact date due, no default shall be declared therefor until thirty (30) days after written demand from Lessor for the rental due on said date. Rent shall be paid as follows:

A. For the first five years, Fifteen Thousand Dollars ($15,000) a year in two equal payments EXCEPT that should an improved all-weather road of not less than twenty-four feet (24') in width be completed from the public road at Port Canyon over Lighthouse Hill to the coastal plateau during any of the first five years (5), rental will increase to Twenty-Five Thousand Dollars ($25,000) per year payable on the next following anniversary date after completion of said road.

B. For the second five years (5), Twenty-Five Thousand Dollars ($25,000) a year in two equal payments regardless of the completion of the road described in paragraph 3A above, EXCEPT that, should an improved road be completed or extended from Port Canyon through to the coastal plateau to Devil's Canyon, rental will increase to Thirty-Five Thousand Dollars ($35,000) per year payable on the next following anniversary date after the completion of said road.

C. Thereafter and beginning with the eleventh (11) year, the basic rental shall be Thirty-Five Thousand Dollars ($35,000) per year in two equal payments, regardless of the

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completion of the road described in paragraphs 3A and 3B above, and increasing at the rate of five per cent (5%) simple per year and also adjusted by the cost of living index formula as set forth herein until a maximum payment of One Hundred Thousand Dollars ($100,000) per year is attained, at which time it shall remain at One Hundred Thousand Dollars ($100,000), but be adjusted by the cost of living index formula, using October, 1966, as a standard 100 per cent.

D. Beginning with the third anniversary date of the execution of this lease and continuing throughout the term or any extension thereof, Lessee shall pay the taxing agency, direct or through Lessor, for any real estate taxes and assessments, general or special, attributable to the demised premises. Lessor shall promptly transmit to Lessee true copies of any tax notices, bills, or assessments. Provided, however, that if pursuant to its sublease, Pacific Gas and Electric Company, hereinafter called "Pacific", pays any part of said taxes, Lessee shall to that extent be relieved of this obligation.

4. COST OF LIVING ADJUSTMENT.

The cost of living adjustments provided herein shall be determined in accordance with changes in the "Consumer's Price Index for Moderate Income Families in Large Cities - All Items" published by the Bureau of Labor Statistics, U. S. Department of Labor, hereinafter referred to as "BLS INDEX". The base figure shall be the average price index during the year 1966, and adjustments shall be made upward or downward at the end of each five (5) year period after the yearly rental has reached $35,000 (Thirty-Five Thousand Dollars), whether said rental has been reached under the provisions of paragraph 3B or paragraph 3C above, for the next succeeding five (5) year period for each five per cent (5%) variance that the fifth year

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average BLS Index increased or decreased from the base figure. In any year that the variance exceeds five per cent (5%) within the calendar year, then the adjustments shall be made at the end of said calendar year. If any material change in the method of preparing the BLS Index should occur, then the Bureau of Labor Statistics, or any successor department thereof, transposition tables shall be used to determine the adjustment provided for herein.

5. TERMINATION.

Should Lessee sublease all or any portion of the demised premises to Pacific and should Pacific for any reason terminate its sublease with Lessee, at that time, when Pacific no longer has any interest or rights in the subleased premises as set forth in paragraph 13 hereof and has given notice in writing to Lessee thereof, by reason of this termination Lessor can terminate this lease to Lessee, on one year's written notice given no later than one year after Lessor's receipt of notice from Lessee of termination by Pacific, and will have the right to possession of the real property hereby leased to Lessee. Provided, however, that should Lessor fail to give notice in writing as herein specified, then, in that event, Lessor shall be deemed to have waived the right to terminate this lease by reason of termination by Pacific. Provided further, however, that should Lessee's interest herein be terminated by notice duly given as herein provided, then Lessor shall pay Lessee full market value for any and all improvements made upon the demised premises by Lessee. "Full market value" of said improvements is to be determined as follows:

(a) Each of the parties hereto shall appoint a competent and licensed appraiser to appraise said

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improvements and, should the appraisers so appointed, or the parties, not agree within ninety (90) days upon the "full market value" then the determination of "full market value" is to be submitted to arbitration as set forth in the California Arbitration Act (CCP 1280 - 1293).

Lessee shall promptly give notice in writing to Lessor of any termination of any sub-lease to Pacific entered into by Lessee.

6. USE.

The premises are leased to Lessee for the purpose of master planning and full development of the entire parcel, and, therefore, said premises may be used for all uses, including but not limited to agricultural uses and including a sublease to Pacific as referred to in paragraph 13. In order to carry out the purposes of Lessee's Master Plan, Lessee may make any necessary cuts and fills and use on the premises any gravel or other materials available on the premises without additional cost. [~~"On the premises", for the purpose of this provision only, shall be deemed [illegible] all or any portion of the land owned by [illegible] to extend land [illegible]~~] If Lessee subleases to Pacific, it may make any necessary cuts and fills and use any gravel or other materials available on the premises subleased by Pacific as are reasonably necessary to accomplish the uses set forth in said sublease.

7. NOTICE OF NONRESPONSIBILITY.

In accordance with Civil Code Section 1183.1, Lessee will, within ten (10) days after commencement of any construction by Lessee in excess of Twenty Thousand Dollars ($20,000) in value, either furnish an acceptable Performance and Labor

and Material Bond or furnish to Lessor required Notice of Nonresponsibility for recordation by Lessor. This provision, however, shall not apply to any construction or work performed, material furnished, or obligation incurred by Pacific. Provided further, however, that nothing herein shall be deemed to prevent either Lessee or Lessor from recording a Notice of Nonresponsibility should they deem it necessary.

8. UTILITIES.

Lessee shall pay for all water, gas, heat, light, power, telephone service, and all other service supplied to the said premises. The parties hereto shall reasonably cooperate in the development and use of water on the leased property as well as the Lessor's nonleased upland property within the same watersheds.

9. MAINTENANCE OF STRUCTURES AND FACILITIES.

During the term hereof Lessee shall maintain and repair any structures, private streets and/or utilities operated by Lessee and shall have the right to remove, demolish or relocate all structures, streets and utilities, provided that during the last fifteen (15) years of this term, or any extension thereof, prior to demolition or removal of any structures or facilities that are not to be replaced, thirty (30) days prior written notice shall be given to Lessor, who shall have the option of requesting that said structures or facilities be retained, and if retention is requested, then Lessor shall assume responsibility for said structures or facilities.

10. COMPLIANCE WITH LAW.

Lessee shall, at its sole cost and expense, comply with all lawful requirements of all County, State and Federal authorities now in force, or which may hereafter be in force, pertaining to the said premises, and shall faithfully observe in the use of the premises all County ordinances

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and State and Federal statutes now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction, or the admission of Lessee in any action or proceeding against Lessee, whether Lessor be a party thereto or not, that Lessee has violated any such ordinance or statute in the use of the premises shall be conclusive of that fact as between Lessor and Lessee. Nothing in this paragraph shall be deemed to prevent Lessee from contesting the validity of any such requirement, and Lessee shall not be in default hereunder so long as it is contesting any such requirement by appropriate legal proceedings and for a reasonable time after a determination in any such contest that the requirement contested was valid.

11. NONLIABILITY OF OWNER FOR DAMAGES.

This lease is made upon the express condition that Lessor is to be free from all liability and claim for damages by reason of any injury to any person or persons, including Lessee, or injury or damage to property of any kind whatsoever and to whomsoever belonging, including Lessee, from any cause or causes whatsoever while in, upon, or in any way connected with the said demised premises during the term of this lease or any extension hereof or any occupancy hereunder, Lessee hereby convenanting and agreeing to indemnify and save harmless Lessor from all liability, loss, cost, and obligations on account of or arising out of any such injuries or losses, however occurring.

12. LIABILITY INSURANCE.

Lessee further agrees to take out and keep in force during the life hereof, at Lessee's expense, public liability insurance written by one or more responsible insurance companies licensed to do business in the State of California and acceptable to Lessor to protect against any liability to the public incident to the use of or resulting from any accident occurring in

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or about said premises, the liability under such insurance to be not less than $1,000,000.00 for any person injured, or $3,000,000.00 for any one accident, or $500,000.00 for property damage. These policies shall insure the contingent liability of Lessor, and Lessee is to obtain a written obligation on the part of the insurance carrier to notify Lessor in writing fifteen (15) days prior to any cancellation or reduction on coverage thereof. Lessee agrees that if Lessee does not keep such insurance in full force and effect, Lessor may take out the necessary insurance and pay the premium and the repayment thereof shall be deemed to be part of the rental and payment as such on the next day upon which rent becomes due. Sublessees, if any, need not duplicate or supplement the insurance required of Lessee. If Lessee subleases and requires policies of insurance of any of its sublessees, Lessor herein shall be named an additional insured in any such policies.

13. ASSIGNMENT OR SUBLETTING.

Lessee shall have the right to sublease or assign this lease as to all or any portions of said premises from time to time during the term hereof on the condition that Lessee shall remain primarily liable for the performance of all of the terms of this lease. Lessor specifically consents to the sublease of Parcels P, T, all or portions of Parcel L, and Parcel R to Pacific subject to the following terms and conditions:

(a) The sublease shall be for the same term as this lease, with an option in Pacific for the renewal of the sublease for the same period as is set forth in paragraph 2 above.

(b) Pacific, in its use and occupancy of the demised premises under the sublease, shall not commit any act which would be a breach or default of this lease insofar as it pertains

to the premises demised in the sublease.

(c) If any breach or default by Lessee shall occur under this lease, Lessor shall give notice thereof to Pacific, and so long as Pacific endeavors diligently to cure the same insofar as it affects the demised premises under the sublease and after having received written notice from Lessee that Lessee is unable to cure said breach or default, Lessor

(1) shall not exercise any right to terminate the base lease as to the demised premises under the sublease because of such breach or default, or

(2) shall enter into a lease to Pacific of the demised premises under the terms of its sublease pursuant to the provisions of this paragraph.

(d) If this lease shall terminate before the expiration of the term hereof, unless such termination results from condemnation as defined herein, or if Pacific's right to renew the sublease is rendered ineffectual by the failure of Lessee to exercise its renewal right provided in this lease, the Pacific sublease shall continue with the same force and effect as to the premises demised thereby as if Lessor and Pacific had entered into a lease on the same terms, covenants, and conditions as those contained in the sublease, including Pacific's right of renewal therein but excluding the obligations of Pacific in lieu of cash rent to execute contracts of guaranty to secure loans or advances made to Lessee by third-party lenders. Pursuant to the provisions of the sublease to Pacific, Pacific may enter upon all or any portion of Parcel L upon a default of Lessee under any loan or advance guaranteed by Pacific and occupy and use said lands for the purposes of this lease and subject to the terms and conditions hereof, except as specifically set forth herein. In any such event, Pacific

shall pay rent to Lessor in advance at the rate of Thirty-Six Thousand Dollars ($36,000) per year, but without adjustment to reflect increases or decreases in the BLS Index as set forth herein.

(e) Lessors, and each of them, covenant for themselves, their heirs, successors, and assigns, for the benefit of the demised premises under the sublease and as a covenant running with the land that if Pacific constructs a generating station fueled by nuclear fuels on Parcel P, Pacific shall have the right to restrict buildings and other structures constructed by Lessor or Lessee on any portion of Parcel P and to exclude persons therefrom to the extent necessary to comply with nuclear reactor site criteria as defined by the United States Atomic Energy Commission or successor. Lessor may enter into and upon said premises at all reasonable times but subject to Pacific's reasonable safety rules and regulations, and after the completion of Pacific's construction and the establishment of Pacific's specific land uses and plant security, Lessor, subject to the rights of Lessee, may use vacant land areas of the demised premises for such purposes and to such extent as are not inconsistent with the rights of Pacific.

14. DEFAULT.

Except as to the payment of rent, no default or breach of any covenant or condition on the part of Lessee shall exist unless and until Lessor shall have served upon Lessee a written notice specifying with particularity wherein said alleged default or breach is claimed to exist, and the failure or omission on the part of the Lessee to commence the performance or observance thereof within six (6) months after receipt of said written notice and to thereafter cure said default with due diligence. In the event, however, that any penalty be

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incurred or created by reason of said lapses of time due to the failure or omission of said party to have performed, or observance of said covenant or condition, then said party shall bear and pay said penalty.

15. WAIVER.

The waiver by Lessor of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this lease, other than the failure of Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

16. CONDEMNATION.

Throughout this lease the word "condemned" is coextensive with the phrase "right of eminent domain", i.e., the right of people or government to take the property for government use, and shall include the intention to condemn expressed in writing as well as the filing of any action or proceeding for condemnation.

In the event that any action or proceeding is commenced for the condemnation, in the exercise of the right of eminent domain of the demised premises or any portion thereof, or if Lessor is advised in writing by any government body, including, but not limited to, Federal, State, County or Municipal bodies, or agency or department or bureau thereof, or any entity or body having the right or power of condemnation of its intention to condemn the whole or any portion of the demised premises, Lessee having the right of possession of the demised premises

at the time thereof, or if the demised premises or any part or portion be condemned through such action, then and in any of said events:

(a) In the event the condemnation action is for the whole of the premises and if Lessor and Lessee are unable to agree on the total value to be obtained from the condemning agency, then both Lessor and Lessee shall have the right but not the obligation to defend such action in court as to their respective interests.

(b) In the event part or parts of the demised premises are condemned in excess of twenty-five per cent (25%) of the total value of the demised premises at the earlier time of receipt of written notice of threatened condemnation or receipt of summons therefor, then Lessee shall have the option of terminating this lease or continuing in full force and effect with a reduction of rental proportionate to the reduction of the value of the leased premises before and after the condemnation.

For the purposes of this provision and the next succeeding only "total value" is to be determined as follows:

Lessor and Lessee shall each select a competent licensed appraiser each of which shall render an opinion according to accepted appraising principles of "total value" within two (2) months and attempt to agree; if the two so selected cannot then agree, a third person, not necessarily an appraiser, shall be mutually agreed upon, the decision of the third person so selected shall be

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rendered within six (6) months of the original controversy and shall be binding.

(c) In the event that portion of the demised premises condemned is a part or parts not in excess of twenty five per cent (25%) of the total value at the time referred to in paragraph 16 (b) above of the demised premises and in the opinion of the Lessee does not result in substantial reduction of the ability to continue the operation of said premises, then said lease shall continue in full force and effect with a reduction of rental proportionate to the reduction of the value of the leased premises before and after the condemnation.

(d) In the event of any condemnation, whether of the whole or any part of the demised premises, Lessee shall be entitled to the following:

1. A proportionate value of all condemned improvements made by Lessee, based on the useful life of said improvements and the remaining term of the lease.

2. A proportionate share of the loss of the use of the land and severance damages based upon the remaining term of the lease.

3. Any amount assessed for removal, relocation or damage to Lessee's improvements or personal property and any assessed amounts for special damages to Lessee.

(e) This provision shall constitute the agreement between Lessor and Lessee only as to their respective rights and interests in the event of condemnation and shall in no way be deemed to

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affect the rights of any sublessee, including, but not limited to, Pacific: as to any such sublessee, they shall have the right to appear and defend in any condemnation action in any manner they see fit and as to any interest or interests they may deem to be affected by such condemnation action and may enter into any agreement in said subleases that are not inconsistent with this provision.

17. NOTICES.

All notices to be given to either party may be given in writing or by depositing the same in the United States mail, postage prepaid, and addressed in accordance with the addresses as designated from time to time by either party in writing and mailed to the other.

18. OIL, GAS AND HYDROCARBONS.

All oil, gas, hydrocarbons, gravel, fill material, minerals, and metals are hereby included in this lease, and Lessee shall have the full right to develop, or sublease for development, said rights, provided that Lessor shall be entitled to one-half (1/2) of the production or suspension rentals and royalties received from any such sublease, but shall not be entitled to share in bonus payments or delay rentals, or in the event Lessee extracts or mines said rights without subleasing, the Lessor shall be entitled to a one-eighth (1/8) interest therein.

19. INSOLVENCY - BANKRUPT.

Either the appointment of a receiver to take possession of substantially all of the assets of Lessee, or a general assignment by Lessee for benefit of creditors or action taken or suffered under any insolvency or bankruptcy act SHALL CONSTITUTE GROUNDS FOR TERMINATING THIS LEASE UNLESS THE RENTALS ARE PAID

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PURSUANT TO THIS LEASE.

20. BINDING ON SUCCESSORS.

The covenants and conditions herein contained shall apply to bind the heirs, successors, executors, administrators, and assigns of all of the parties hereto. The provisions of paragraph 13 hereof are entered into for the express benefit of Pacific.

21. PUBLIC UTILITIES COMMISSION APPROVAL.

If Lessee subleases to Pacific and Pacific is unable to secure approval of the state Public Utilities Commission or if approval, once given, is revoked or rescinded, then Lessee shall have the option to terminate the sublease upon one (1) year's written notice to Pacific and the within lease shall terminate on the same date set forth in said written notice to Pacific and shall thereafter be null and void and of no force or effect whatsoever.

IN WITNESS WHEREOF, Lessor and Lessee have executed this lease on the date first hereinabove set forth.

LUIGI MARRE LAND AND CATTLE COMPANY

By Louis X Marré Pres.

By Lucas B Marré Sec.

Lessor

Address: Marre Ranch, Avila Beach, Calif.

SAN LUIS OBISPO BAY PROPERTIES, INC.

By [illegible]

By [illegible]

Lessee

Address: 860 Pacific St. San Luis Obispo, Calif.

Receipt of a true copy of the within lease is hereby

acknowledged this 20th day of September, 1966.

PACIFIC GAS AND ELECTRIC COMPANY

By _____
Senior Attorney

PGE 00689

State of California)
) ss.
County of San Luis Obispo)

On Sept. 14, 1966, before me, the undersigned, a Notary Public in said State, personally appeared Louis C. Bacci, known to me to be the President, and Louise B. Bacci, known to me to be the _____ Secretary, of the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

ELIZABETH F. SARBER
NOTARY PUBLIC
SAN LUIS OBISPO COUNTY
CALIFORNIA

Elizabeth F. Sarber
Notary Public in said State

ELIZABETH F. SARBER
My Commission Expires Aug. 23, 1970

State of California)
) ss.
County of San Luis Obispo)

On Sept. 14, 1966, before me, the undersigned, a Notary Public in said State, personally appeared Robert C. Bacci, known to me to be the President, and Ethel C. Knight, known to me to be the _____ Secretary, of the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

ELIZABETH F. SARBER
NOTARY PUBLIC
SAN LUIS OBISPO COUNTY
CALIFORNIA

Elizabeth F. Sarber
Notary Public in said State

ELIZABETH F. SARBER
My Commission Expires Aug. 23, 1970

PGE 00690

The execution of the within lease by LUIGI MARRE LAND AND CATTLE COMPANY is hereby approved by the undersigned, being all of the shareholders of said Luigi Marre Land and Cattle Company.

Louis J. Marre

Tressa B. Marre

Margaret Marre Grossman

Robert B. Marre

Imogene C. Marre

State of California)
) ss.
County of San Luis Obispo)

On _____, 1966, before me, the undersigned, a Notary Public in said State, personally appeared Louis J. Marre, Tressa B. Marre, Robert B. Marre and Imogene C. Marre, known to me to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same.

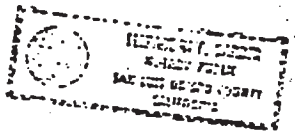
Notary Public in said State

ELIZABETH F. SARBER
My Commission Expires Aug. 22, 1970

PGE 00691

State of _____)
) ss.
County of _____)

On _____, 1966, before me, the undersigned, a Notary Public in said State, personally appeared Margaret Marre Grossman, known to me to be the person whose name is subscribed to the within instrument and acknowledged that she executed the same.



Notary Public in said State

ELIZABETH F. BARBER
My Commission Expires June 23, 1970

PGE 00692

(3)

SUBLEASE

THIS SUBLEASE, executed as of the 17th day of September, 1966, between SAN LUIS OBISPO BAY PROPERTIES, INC., a corporation, hereinafter called "Properties", and PACIFIC GAS AND ELECTRIC COMPANY, a corporation, hereinafter called "Pacific",

WITNESSETH:

The parties do hereby agree as follows:

1. DESCRIPTION OF PREMISES. Properties hereby leases to Pacific, and Pacific hires from Properties, on the terms and conditions hereinafter set forth, that certain real property situated in the County of San Luis Obispo, State of California, described as:

PARCEL P: A parcel of land containing 585 acres more or less, more particularly described in Exhibit A attached and by this reference incorporated herein, the site of a multiple-unit electric generating station and appurtenant facilities;

PARCEL T: Easements and rights of way to construct, operate, maintain, repair, reconstruct, replace, and remove electric, oil, and gas transmission lines, and incidental rights, on, under, along, and in a parcel of land containing 420 acres, more or less, more particularly described in Exhibit B attached and by this reference incorporated herein;

PARCEL R: Easements and rights of way for a road and other facilities extending from existing public roads to Parcel P along the route and for the uses and purposes set forth in Exhibit C attached and by this reference incorporated herein;

TOGETHER WITH the right to construct a reservoir

on Parcel T or to flood and overflow said land by a reservoir constructed on Parcel P, and to use said reservoir for the storage of fresh water manufactured at said generating station;

EXCEPTING THEREFROM and reserving to Properties:

a. All of Properties' right to the water which now flows or may hereafter flow in Diablo Creek, whether on or under the surface of the demised premises, and the right to enter upon the demised premises for the purpose of diverting the said water in such manner as will not unreasonably interfere with Pacific's exercise of its rights hereunder; and

b. The right to dispose of all borrow or fill materials which may result from Pacific's construction in the exercise of its rights hereunder, and which are not needed by Pacific for fill in connection with its construction.

2. USE. The premises are leased to Pacific for the purpose of Pacific's constructing thereon and operating, maintaining, and as Pacific may elect from time to time, altering, reconstructing or enlarging an electric generating station, fueled by either fossil or nuclear fuels, and appurtenant facilities, including, without limiting the generality of the foregoing, water intake and discharge conduits, administration buildings, parking area, local roads, communications, meteorological and radiological facilities, switchyard, electric transmission lines, and construction area, and the right to install thereon and use, repair, replace and remove personal property, whether affixed to the land or movable, as Pacific may elect from time to time, together with all other uses which Pacific may deem necessary or convenient in connection with the said uses; provided, however, that if Pacific constructs a fossil-fueled plant or unit on Parcel P, it shall not construct any oil storage tanks within 2,000 feet of the

PGE 00710

east boundary of Parcel P and 2,000 feet of the high-water line. Pacific shall not use said premises, or permit said premises to be used, for any purpose or purposes other than the purposes for which the said premises are hereby leased.

3. COMPLIANCE WITH BASE LEASE. Properties is the lessee under that certain agreement of lease of even date herewith from Luigi Marre Land and Cattle Company, hereinafter referred to as "Marre", a copy of which lease has been provided to Pacific. Pacific in its use and occupancy of the demised premises shall not commit any act which would be a breach or default of said agreement of lease and shall indemnify Properties against and hold it harmless from any liability, loss, cost, or damage arising out of any act or omission of Pacific on its part to be performed which constitutes a breach or default of said agreement of lease.

4. ENTRY BY PROPERTIES. Pacific shall permit Properties and its agents to enter into and upon the demised premises at all reasonable times, but subject to Pacific's safety rules and regulations, for the purpose of inspecting the same or for the purpose of posting notices of nonliability for construction, reconstruction, additions, or repairs. After the completion of Pacific's construction and the establishment of Pacific's specific land uses and plant security, Properties and Marre may use vacant land areas of the demised premises for such purposes and to such extent as is consistent with the rights of Pacific hereunder, subject, however, to Pacific's safety rules and regulations and Pacific's right to restrict buildings and other structures on Parcel P and to exclude persons therefrom to the extent necessary to comply with nuclear reactor site criteria.

5. TITLE TO IMPROVEMENTS. Title to the said electric generating station and all other improvements constructed by Pacific on the demised premises and personal

PGE 00711

property installed or used thereon shall remain in Pacific unless and until such improvements or personalty or any thereof are deemed abandoned by Pacific in accordance with the provisions of this sublease.

6. TERM. The term of the within sublease shall be for ninety-nine (99) years commencing September 17, 1966. If Properties, for any reason beyond its reasonable control, cannot deliver possession of the demised premises to Pacific at the commencement of the said term, as hereinbefore specified, this sublease shall not be void or voidable, nor shall Properties be liable to Pacific for any loss or damage resulting therefrom; but in that event, Properties shall exercise due diligence in removing the cause of the delay and Pacific shall be excused from performance of its obligations under paragraphs 10 and 11 hereof until Properties can deliver possession. The term of this sublease shall be extended by the period of such delay. If such delay shall exceed a period of one year, Pacific shall have the right to terminate the sublease.

If the term of this sublease, or any option for the renewal or extension thereof, is in excess of the term of a lease permitted by law, or would cause this lease to be invalid unless such term was limited, or any option to renew or any possible extension invalidated, then the term of this lease shall be for the maximum period permitted by law, and any right of extension or option to renew beyond such maximum permissible period shall be of no force or effect and shall be disregarded in interpreting this lease.

7. TERMINATION BY PACIFIC. Pacific shall have the right for ten (10) years from the date of commencement of the term hereof to terminate this sublease by giving Properties one year's written notice to that effect. Notwithstanding such notice of termination,

PGE 00712

a. Pacific shall continue to be obligated to perform its undertakings under paragraph 11 hereof except that the maximum amount specified in subparagraph 11(b) on the date on which Pacific gives such notice of termination shall be reduced at the end of each succeeding calendar year at such rate that it shall be reduced to zero at the end of what would have been the twentieth (20th) year of the term hereof. After such notice the parties shall have no right to request the reappraisal of the land for the purpose of increasing or decreasing the said maximum amount.

b. Pacific shall continue to have the rights specified in paragraph 11 as security for the repayment of any costs incurred by Pacific by reason of a default of Properties in the performance of the terms and conditions of any loan guaranteed by Pacific.

c. Except as specifically set forth to the contrary herein, the rights and obligations of the parties under this sublease shall terminate upon the date specified in said notice of termination; provided, however, that so long as Pacific shall remain obligated to perform its undertakings under paragraph 11 by subparagraph 7(a) above, Pacific shall have the right at its election to sublease the demised property upon all the terms and conditions contained in this sublease, including the reinstatement of all of Pacific's obligations under paragraph 11 hereof, and Properties upon notice from Pacific will enter into such a sublease.

PGE 00713

8. OPTION TO RENEW. Properties hereby grants to Pacific an option to renew this sublease for a further period of ninety-nine (99) years from and after the expiration of the original term upon the same terms and conditions as are contained herein. Said option shall be exercised by Pacific's giving to Properties written notice of Pacific's intention to renew at least five (5) years prior to the expiration of the term hereof.

9. HOLDING OVER. Any holding over with the consent of Properties after the expiration of said term or any extension or renewal thereof (other than pursuant to subparagraph 7(c) and paragraph 8) shall be construed to be a tenancy from year to year on the terms and conditions herein specified, so far as applicable.

10. RENT.

a. Pacific shall pay no cash rent to Properties for the demised premises other than the amounts hereinafter specified in this paragraph 10.

b. Pacific shall pay to the taxing agency or reimburse Properties for:

(1) All taxes, including maintenance assessments, levied against the demised premises as land, the leasehold interest of Pacific, and personal property or improvements placed by or on behalf of Pacific in, on, or about the demised premises.

(2) Such amount as the parties agree from time to time will reimburse Marre or Properties for the portion of any increase in taxes levied on Parcel L described in

PGE 00714

Exhibit D attached and by this reference incorporated herein, or Marre's lands adjacent to Parcel P, Parcel L, or Parcel R, which directly results from Pacific's use of the demised premises or construction of improvements thereon; provided, however, that:

(i) the amount payable pursuant to this obligation for any tax year shall in no event exceed the product of that year's tax rate and the increase in assessed value of said lands in that year over the assessed value in the year prior to construction by Pacific of any major improvement on the demised premises;

(ii) the amount payable pursuant to this obligation for any year shall in no event exceed a fair rental value for Parcels P and T for that year;

(iii) this obligation shall terminate as to lands in any assessor's block or lot the use of which is significantly changed by Marre or Properties from that existing at the date hereof, and shall in any event terminate completely at the end of the twentieth (20th) tax year following the tax year in which Pacific commences the construction of any major improvement on the demised premises.

c. If any assessment, general or special, for a capital improvement which enhances the value of the property shall be created and assessed against Parcel

PGE 00715

P or T during the term hereof, Pacific shall pay or reimburse Properties or Marre for such assessment only if Pacific shall have initiated or consented to formation of the improvement district and the inclusion of Parcel P or T within the district boundaries, or if Parcel P or T shall have been included within the district boundaries over the objection of Marre.

11. CONTRACTS OF GUARANTY.

a. Pacific from time to time during the term hereof upon the request of Properties will enter into contracts substantially in the form attached as Exhibit E by which Pacific will guarantee up to the maximum amount determined in accordance with subparagraph 11(b) the repayment of loans or advances made to Properties by third-party lenders. Pacific shall not be obligated to guarantee any such loan or advance unless under the Securities Act of 1933 as amended the evidence of indebtedness of such loan or advance is an exempt security or the offering or issuance thereof is an exempt transaction. Properties will be primarily responsible for loans and advances guaranteed hereunder and liable for the repayment of principal, the payment of interest and other costs or charges arising therefrom, and full compliance with the terms and conditions of the loan agreements or notes; Pacific will be secondarily liable for such loans and advances.

b. The maximum amount at any one time of Pacific's liability for loans to Properties guaranteed by Pacific, for interest thereon, or for costs or expenses incurred in connection therewith, until

PGE 00716

there has been an appraisal pursuant to the provisions of this paragraph, shall be $6,420,000.00; provided, however, that if Properties defaults in the performance of its obligations under any loan agreement or note, the said maximum, or any new maximum established in accordance with the procedures specified in this subparagraph, shall be reduced by the amount which Pacific may be required to expend in payment of principal, interest, or other charges on any such loans or notes unless and until Properties reimburses Pacific for the amounts expended. At any time after three (3) years from the date hereof, upon the request of either party, but not oftener than once every three (3) years unless there is an appropriation by a third party within the meaning of paragraph 25 hereof, the interest of Properties in Parcels P, T, R and L will be appraised in accordance with accepted land appraisal practices on the basis of Properties' land development plan and the degree of implementation thereof and a new maximum will be established in the amount of the appraisal. No reduction in the amount of the appraisal shall modify or affect any guaranty of loans to Properties made prior to the effective date of the appraisal but no such loan shall be extended or renewed or additional loans made if the total amount guaranteed will exceed the new maximum established on the basis of the appraisal. The appraisal of the lands or interests of Properties shall be made by a qualified real estate appraiser agreed upon by both parties. In the event the parties are unable to agree upon an appraiser, each party shall

PGE 00717

appoint one qualified appraiser and the two so appointed shall agree upon a third person, not necessarily an appraiser, whose valuation shall be conclusive upon the parties. The costs of making such appraisals shall be borne by Pacific. Notwithstanding the total amount arrived at by any such appraisal, Pacific's liability under contracts of guaranty will not in any event exceed the amount of $20,000,000.

c. Pacific shall have a first and prior lien upon the interest of Properties in Parcels P, T, R, and L as security for the repayment to Pacific of all amounts paid by Pacific pursuant to any contract of guaranty upon the default of Properties in the performance of any of the terms or conditions of a loan or to cure any default under the base lease or to discharge the lien of any delinquent taxes or assessments upon any of said lands. For the purpose of preserving Pacific's lien, Pacific shall have the right to make such payments. Upon the appraisal of said lands pursuant to subparagraph 11(b) above, the boundaries of Parcel L shall be contracted if necessary to reflect any increase in appraised value, so that the lands subject to such lien shall include Parcels P, T, R and the portion of Parcel L contiguous to Parcel P in a reasonably compact parcel and the value of lands subject to said lien shall not exceed the maximum amount which Pacific is obligated to guarantee hereunder. Such lien may be enforced by Pacific pursuant to the provisions of general law, or Pacific after reasonable notice to Properties may enter upon lands subject to the lien and occupy and

PGE 00718

use said lands on the terms and conditions set forth in said base lease and in the place and stead of Properties; provided, however, that if Pacific is the purchaser of Properties' interest in said lands, on any sale for foreclosure of said lien, or enters upon and occupies and uses said lands as aforesaid, Pacific after it has recovered from its net profits of operation of Parcel L all amounts paid by Pacific by reason of such default by Properties including rentals Pacific has paid the lessor under the base lease to Properties, Pacific's costs and expenses of such operation, and interest on the amounts paid by Pacific by reason of such default, shall reconvey said lands or surrender its occupancy and use thereof to Properties and the rights of the parties shall be the same under this sublease as though such default had not occurred.

d. If Pacific discharges any obligation of Properties upon any default by Properties in the performance of its obligations under any loan, or if Pacific incurs costs or expenses to cure any default of Properties under the base lease to Properties or to discharge the lien of any delinquent taxes or assessments on any of said lands:

(1) Pacific shall be subrogated to any and all remedies which the lessor or lender might assert against Properties;

(2) Pacific shall be entitled to enforce the lien provided in subparagraph 11(c) above, or enter upon, occupy, and use lands subject to said lien as set forth in said subparagraph;

(3) the election of Pacific to exercise

one or more of the remedies available to it or its failure to exercise any such remedy shall not foreclose the exercise by Pacific of any other or different remedy:

(4) Properties shall provide to Pacific financial statements and information in sufficient detail to permit Pacific to exercise an informed judgment in the election of remedies.

e. The rights of Properties under this paragraph shall be transferred or assigned only with the prior written consent of Pacific, which consent will not be withheld unreasonably, and upon such terms or conditions as Pacific may agree to; provided, that no such consent shall be required for a transfer or assignment by Properties to a corporation succeeding to the entire interest of Properties in Parcels P, T, R, and L.

f. Upon any total termination of this sublease pursuant to paragraph 25 hereof:

(1) If such termination occurs within fifteen (15) years of the date of commencement of the term hereof, Pacific shall continue to be obligated to perform its undertakings under paragraph 11 hereof except that the maximum amount specified in subparagraph 11(b) for the calendar year in which Pacific gives such notice of termination shall be reduced at the end of each succeeding calendar year at such rate that it shall be reduced to zero at the end of what would have been the twentieth (20th) year of the term hereof, and during such period the parties shall have no right to request the

PGE 00720

reappraisal of the land for the purpose of increasing or decreasing the said maximum amount;

(2) If such termination occurs fifteen (15) years or more after the date of the commencement of the term hereof, Pacific shall continue to be obligated for a period of five (5) years to perform its undertakings under paragraph 11 hereof except that the maximum amount specified in subparagraph 11(b) for the calendar year in which termination occurs shall be reduced in each succeeding calendar year at the rate of twenty (20) percent of said amount each year and Pacific's maximum liability in any such succeeding year shall be limited to the reduced amount so determined, and during such period the parties shall have no right to request the reappraisal of the land for the purpose of increasing or decreasing the said maximum amount;

(3) In either event, Pacific shall continue to have the rights specified in paragraph 11 as security for the repayment of any amounts paid by Pacific by reason of a default of Properties in the performance of the terms and conditions of any loan guaranteed by Pacific and its costs and expenses incurred in connection therewith.

In all other respects, the rights and obligations of the parties under this sublease shall terminate upon the date of termination except as otherwise specifically set forth in this sublease. During the five (5) years prior to the expiration of the term hereof

PGE 00721

or any extension or renewal thereof. Pacific's maximum obligation shall similarly be reduced each year at the rate of twenty (20) percent of the maximum established for the fifth (5th) calendar year prior to the termination date.

g. Pacific's agreement hereby to enter into contracts of guaranty is subject to authorization by the California Public Utilities Commission and to such other limitations as may be imposed by law from time to time prior to Pacific's execution of any such contract. Pacific agrees to file promptly such applications as may be required to obtain necessary regulatory authorization and to use its best efforts and due diligence to obtain such authorization and to maintain such authorization in effect during the term hereof. In the event that in spite of such best efforts such authorization is denied, revoked or rescinded at any time during the term hereof, Properties, at its election,may by one (1) year's written notice terminate this lease.

12. ARCHITECTURAL REVIEW. The parties mutually desire that Pacific's structures on and landscaping of Parcel P will be as compatible as practicable with the aesthetic qualities of the surrounding terrain and conform to the highest architectural standards for the facilities to be constructed. In the preparation of designs for the exterior appearance of the plant and appurtenant facilities and landscaping of Parcel P, Pacific will utilize the services of a licensed architect (who may be either a consultant or employee of Pacific). During such preparation and before disclosure of Pacific's designs to the public, Pacific shall fully inform Properties' architect of Pacific's designs of said features, provide copies

PGE 00722

of said designs to him, and will endeavor to incorporate into said designs appropriate and timely recommendations made by Properties' architect; provided, however, that Pacific shall not by its undertakings in this paragraph, be delayed in its construction schedule or be obligated to incur costs which in its opinion would unreasonably increase the total costs of its project, and Pacific shall have the right in its sole judgment to accept or reject all design work for said structures or landscaping.

13. NONLIABILITY OF PROPERTIES FOR DAMAGES. Pacific shall indemnify Properties and Marre against all loss, damage, expense, and liability resulting from injury to or death of person or injury to property, arising out of or in any way connected with the exercise by Pacific of its rights under this sublease. If the proposed electric generating station is nuclear, Pacific will enter into an indemnity agreement in accordance with the Atomic Energy Act of 1954, as amended, and the regulations of the U. S. Atomic Energy Commission.

14. COMPLIANCE WITH LAW. Pacific shall, at its sole cost and expense, comply with all lawful requirements of all Municipal, County, State, and Federal authorities now in force, or which may hereafter be in force, pertaining to the demised premises, and shall faithfully observe in the use of said premises all Municipal and County ordinances and State and Federal statutes now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction, or the admission of Pacific in any action or proceeding against Pacific, whether Properties be a party thereto or not, that Pacific has violated any such ordinance or statute in the use of the premises shall be conclusive of the fact as between Properties and Pacific. Nothing in this paragraph shall be deemed to prevent Pacific from contesting the validity of any

PGE 00723

such requirement, and Pacific shall not be in default hereunder so long as it is contesting any such requirement by appropriate legal proceedings and for a reasonable time after a determination in any such contest that the requirement contested was valid.

15. WASTE. QUIET CONDUCT. Pacific shall not commit, or suffer to be committed, any waste upon the said premises, or any nuisance, or other act or thing which may disturb the quiet enjoyment of lands adjacent to the demised premises. Use for the purposes authorized by this sublease shall not be deemed a violation of this paragraph, but Pacific shall exercise due diligence in the design, construction, maintenance and operation of its facilities on the demised premises to avoid disturbing the quiet enjoyment of the adjacent lands by reason of noise, smoke, or noxious odors.

16. LIENS. Pacific shall keep the demised premises free from any liens arising out of any work performed, material furnished, or obligations incurred by Pacific, other than the lien of Pacific's First and Refunding Mortgage, as supplemented and amended from time to time, or any similar encumbrance affecting substantially all of Pacific's property.

17. ASSIGNMENT OR SUBLETTING. Pacific shall not assign this lease, or any interest therein, and shall not sublet the said premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person to occupy the said premises, or any portion thereof, without the written consent of Properties first had and obtained, and a consent to one assignment, subletting, occupation, or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. Any such assignment or subletting without such consent shall be void, and shall, at the option of Properties, be a

PGE 00724

breach of this lease. This lease shall not, nor shall any interest of Pacific therein, be assignable by operation of law without the written consent of Properties.

18. INSOLVENCY. RECEIVER. The appointment of a receiver to take possession of all or substantially all of the assets for Pacific, or a general assignment by Pacific for the benefit of creditors, or any action taken or suffered by Pacific under any insolvency or bankruptcy act shall constitute a breach of this sublease by Pacific, but any action taken by the Trustees pursuant to a default under Pacific's First and Refunding Mortgage as supplemented and amended, or any similar encumbrance affecting substantially all of Pacific's property, shall not constitute a breach of this sublease.

19. ACCEPTANCE OF PREMISES AS IS. SURRENDER AT END OF TERM. By entry hereunder, Pacific accepts the premises as being in good and sanitary order and condition, and agrees on or prior to the last day of said term, or sooner termination of this sublease, to remove all of Pacific's machinery, electrical apparatus, and other movable equipment from said premises, and to surrender unto Properties all and singular said premises in a safe and clean condition.

20. DISPUTES. ARBITRATION. The parties shall endeavor in good faith to resolve promptly all disputes arising between them under this sublease by direct negotiation. Any such dispute which cannot be so resolved shall, upon the written request of either party to the other, be submitted to and decided by arbitration in accordance with the pertinent provisions of the California Code of Civil Procedure; provided, however, that the provisions of subparagraph 11(b) shall govern as to any appraisal of the interest of Properties in Parcels P, T, R and L.

PGE 00725

21. REMEDIES ON DEFAULT. Excepting only a failure to pay when due sums payable under this sublease or any loan or contract of guaranty entered into pursuant hereto, no default or breach shall exist on the part of Properties or Pacific of any of the covenants and conditions on the part of such party unless and until the party claiming a default or breach on the part of the other shall serve upon the other a written notice, specifying with particularity wherein said default or breach is alleged to exist, and the other shall fail to commence and thereafter diligently prosecute the curing of such default or breach. In the event of any breach of this sublease by Pacific, then Properties, besides other rights or remedies it may have, shall have the right to recover from Pacific all damages it may incur by reason of such breach.

22. ATTORNEYS' FEES ON DEFAULT. In case suit shall be brought for an unlawful detainer of the said premises, for the recovery of any sums due under the provisions of this sublease, or because of the breach of any other covenant herein contained on the part of Pacific to be kept or performed, and Properties shall prevail in such suit, Pacific shall pay to Properties reasonable attorneys' fees, which in the absence of agreement as to the amount shall be fixed by the court.

23. WAIVER. The waiver by Properties of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained. The exercise of any right or option or privilege hereunder by Properties shall not preclude Properties from exercising any and all other rights, privileges and options hereunder and Properties' failure to exercise any right, option or privilege hereunder

PGE 00726

shall not be deemed a waiver of said right, option or privilege nor shall it relieve Pacific from Pacific's obligation to perform each and every covenant and condition on Pacific's part to be performed hereunder nor from damages or other remedy for failure to perform the obligations of this sublease.

24. EXERCISE OF EMINENT DOMAIN BY PACIFIC. Nothing in this sublease shall limit Pacific's right to exercise the power of eminent domain for the acquisition of land or land rights necessary for the performance of its duties to the public. If Pacific shall bring any action for the condemnation of land or land rights in Parcels P, T, R, or L,

a. Pacific shall have the right to offset against compensation due Properties or Marre amounts paid by Pacific pursuant to any contract of guaranty entered into by Pacific under paragraph 11 of this sublease because of any default of Properties;

b. the obligations of Pacific under paragraph 11 hereof shall not be extinguished by such action or the judgment therein, and if Properties is not in default under any loan or note, the maximum established under subparagraph 11(b) shall not be reduced by reason of Pacific's condemnation by any amount in excess of the compensation paid Properties by reason of the taking.

25. CONDEMNATION. In the event of any taking or damage of all or any part of the demised premises or of any interest therein or of any interest in Parcel L by reason of the exercise of the power of eminent domain (other than by Pacific), whether by a condemnation proceeding or otherwise, or any transfer of all or any part of the demised premises or any interest therein or of any interest in Parcel L made in anticipation or avoidance of an exercise of the power of eminent

PGE 00727

domain (all of the foregoing being hereafter referred to as "appropriation") prior to or during the term hereof (or any extension or renewal thereof), the rights and obligations of Properties and Pacific with respect to such appropriation shall be as provided in this paragraph 25.

a. If the appropriation is of all of the demised premises, including Pacific's right of occupancy and use, improvements and other property, this sublease shall terminate as of the date of the appropriation. If the appropriation is of a portion of the demised premises which is necessary or useful to Pacific in the performance of its duties to the public or includes improvements or other property of Pacific, Pacific may elect to terminate the sublease as of the date of the appropriation if it determines that the appropriation will substantially impair its occupancy and use of the remainder of the demised premises. Any such election shall be made by written notice from Pacific to Properties not later than ninety (90) days after the date of the appropriation. If Pacific does not so elect to terminate the sublease, it shall continue in effect as to the portion of the demised premises not appropriated. The rights of the parties in any such appropriation shall be as follows:

(1) After receiving notice of the appropriation and until the final determination of the compensation payable with respect to the appropriation, the parties shall have no right to request an appraisal of the demised premises pursuant to subparagraph 11(b) hereof. Promptly after the final determination

PGE 00728

of the compensation payable with respect to the appropriation, an appraisal shall be obtained which reflects the compensation payable for the land and, if the sublease has not been totally terminated, a new maximum will be established for the purposes of subparagraph 11(b).

(2) From the compensation payable to all parties to the appropriation, Properties shall be paid the lease rental value of the land appropriated as of the date of valuation of the appropriation. If at that date Pacific is paying a cash rent for the demised premises, the lease rental value shall be determined on the basis of the cash rent. If Pacific is not paying a cash rent on said date, the lease rental value shall be determined as if Pacific on said date were paying cash rent semi-annually in advance at the annual rate of seven (7) percent of the value of the land appropriated as established by the appraisal made under subparagraph (1) above, but the lease rental value shall not exceed the value of the land so determined. Pacific shall be paid the entire balance of the compensation payable, including, without limiting the generality of the foregoing, compensation for improvements to the demised premises made by Pacific, any excess of the market rental value of the demised premises (either for the remainder of the term hereof or for any period for which Pacific has any option to extend or renew this sublease) over

PGE 00729

the lease rental value so determined, amounts assessed in the proceeding or action for removal, relocation or replacement costs of Pacific, anticipated or lost profits or damages to any personal property or detriment to the business of Pacific, or any special damages to Pacific.

(3) If the sublease is totally terminated pursuant to this subparagraph, Pacific's obligation to guarantee loans or advances to Properties shall be governed by subparagraph 11(f). If the sublease is only partially terminated, Pacific shall have a lien upon the compensation payable to Properties by reason of the appropriation to secure the repayment to Pacific of all amounts paid by Pacific pursuant to any contract of guaranty upon a default of Properties in the performance of any of the terms or conditions of a loan or advance to Properties, unless Properties reduces the amount of loans or advances guaranteed by Pacific to the maximum amount established pursuant to subparagraph (1) hereof or provides other security to Pacific.

b. If the appropriation is of a portion of the demised premises which is not necessary or useful to Pacific in the performance of its duties to the public or does not include improvements or other property of Pacific, or is of all or a portion of Parcel L or any interest therein (excluding the portion of Parcel R which lies within Parcel L), the sublease shall terminate only as to portion of the demised premises appropriated and the rights of the parties shall be

as follows:

(1) After receiving notice of the appropriation, and until the final determination of the compensation payable with respect to the appropriation, the parties shall have no right to request an appraisal of the demised premises pursuant to subparagraph 11(b) hereof. Promptly after final determination of the compensation payable by reason of the appropriation an appraisal shall be obtained which reflects the compensation payable for the land and a new maximum will be established for the purposes of paragraph 11.

(2) All of the compensation payable by reason of the appropriation shall be paid to Properties and Pacific shall be paid nothing by reason thereof.

(3) Pacific shall have a lien upon the compensation payable to Properties by reason of the appropriation to secure the repayment to Pacific of all amounts paid by Pacific pursuant to any contract of guaranty upon a default of Properties in the performance of any of the terms or conditions of a loan or advance to Properties, unless Properties reduces the amount of loan or advances guaranteed by Pacific to the maximum amount established pursuant to subparagraph (1) hereof.

c. If the appropriation is of all of the demised premises but it does not include Pacific's right of occupancy and use, improvements or other property, the sublease shall not terminate and the rights of

PGE 00731

the parties shall be as follows:

(1) After either party shall have received notice of the appropriation, neither party shall have a right to request an appraisal pursuant to the provisions of subparagraph 11(b), and the rights and obligations of Properties and Pacific under paragraph 11 shall be the same as if a total termination of the sublease had occurred as of the date of the appropriation within the meaning of subparagraph 11(f).

(2) All of the compensation payable by reason of the appropriation shall be paid to Properties and Pacific shall be paid nothing by reason thereof.

(3) Pacific shall have a lien upon the compensation payable to Properties by reason of the appropriation to secure the repayment to Pacific of all amounts paid by Pacific pursuant to any contract of guaranty upon a default of Properties in the performance of any of the terms or conditions of a loan or advance to Properties.

(4) As rent for the demised premises, Pacific shall pay annually in advance an amount equal to seven (7) percent of the fair market value of the demised premises redetermined at the end of each five (5) year period of the term of the sublease for the succeeding five (5) year period, together with the taxes and assessments specified in subparagraphs 10(b)(1) and 10(c), respectively.

d. Nothing in this paragraph shall limit the

PGE 00732

rights of Marre, Properties or Pacific to appear in and contest any proceeding or action for the appropriation of all or any portion of the demised premises or Parcel L, or to enter into settlements thereof or transfers of interests in the demised premises or Parcel L in anticipation or avoidance of the exercise of the power of eminent domain.

e. Nothing in this paragraph shall affect the right of Marre, Properties or Pacific to interest on compensation payable in an appropriation from the date compensation is assessed in any proceeding or action for an appropriation of all or any portion of the demised premises or Parcel L and such interest shall be deemed a part of the compensation payable to any party for the purposes hereof.

f. Properties shall indemnify Pacific against and hold it harmless from any and all claims and demands of Marre for compensation payable with respect to any appropriation of all or any part of the demised premises or Parcel L.

26. NOTICES. Any and all notices or demands by or from Properties to Pacific, or from Pacific to Properties, shall be in writing. They shall be served either personally or by registered mail or by telegraph. If served personally, service shall be conclusively deemed made at the time of service. If served by registered mail, service shall be conclusively deemed made forty-eight (48) hours after the deposit thereof in the United States mail, postage prepaid, addressed to the party to whom such notice or demand is to be given, as hereinafter provided, and the issuance of the registry receipt therefor. If served by telegraph, service shall be conclusively deemed made at the time that the telegraphic agency shall

PGE 00733

confirm to the sender delivery thereof to the addressee. Any notice or demand to Properties shall be given unto it at 860 Pacific Street, San Luis Obispo, California 93401. Any notice or demand to Pacific shall be given unto it at 245 Market Street, San Francisco, California 94106, Attention: Manager, Land Department. Said addresses may be changed by either party at any time and from time to time by notice to the other as herein provided.

27. BINDING ON SUCCESSORS. Subject to the provisions of subparagraph 11(e) and paragraph 17 above, the covenants and conditions herein contained shall apply to and bind the successors and assigns of the parties hereto.

28. TIME is of the essence of this sublease.

29. CAPTIONS. The titles or headings to the paragraphs of this sublease are not a part of this sublease and shall have no effect upon the construction or interpretation of any part hereof.

IN WITNESS WHEREOF, Properties and Pacific have executed this sublease as of the date first hereinabove set forth.

SAN LUIS OBISPO BAY PROPERTIES, INC.
Sublessor

By _____

Attest _____

PACIFIC GAS AND ELECTRIC COMPANY
Sublessee

By _____

Attest _____

EXHIBIT A

DESCRIPTION OF PARCEL P

A portion of Lots 4, 5, and 6 of the Subdivisions of "Part of Rancho El Pecho, The Property of L. Marre, Subdivided by Geo. Story C. E. March - 1893", in the County of San Luis Obispo, State of California, according to map filed for record April 15, 1893, in Book B, at page 85 of Maps, in the office of the County Recorder of said County, being a portion of the property conveyed to Luigi Marre by deed recorded in Book 17, at page 431 of Deeds, and more particularly described as follows:

Beginning at a point in the 3604.50 acre parcel of land described in the deed from Ramona W. Hillard to Luigi Marre dated October 11, 1892 and recorded in the office of the County Recorder of the County of San Luis Obispo, State of California in Book 17 of Deeds at page 431 from which the bronze disk marking the United States Coast and Geodetic Survey Triangulation Station Diablo bears south 63° 11' east 650 feet distant and running thence south 8° 58' west approximately 3400 feet to a point in the Ocean Line and running thence along the Ocean to the intersection of the Ocean Line with the Devils Creek Canon; thence up the Devils Canon Creek to a point which bears north 8° 58' east from the point of beginning of this description; thence south 8° 58' west approximately 2140 feet to the point of beginning; containing approximately 585 acres.

EXHIBIT B

DESCRIPTION OF PARCEL T

Easements (a) to construct, operate, maintain, repair, reconstruct, replace, and remove, at any time and from time to time, electric transmission lines, consisting of one or more lines of towers, poles, and/or other structures, wires and cables, including ground wires, both overhead and underground, for the transmission of electric energy, and for communication purposes, and all necessary and proper foundations, footings, crossarms, and other appliances and fixtures for use in connection with said towers, poles, and/or other structures, wires and cables, and (b) to excavate for, install, replace, maintain and use such pipelines as Pacific shall from time to time elect for conveying gas or oil, with necessary and proper valves and other appliances and fittings, and devices for controlling electrolysis for use in connection with said pipelines, together with rights of way, on, along and in the hereinafter described land which is situate in the County of San Luis Obispo, State of California, and is described as follows:

A portion of Lots 3 and 5 of the Subdivisions of "Part of Rancho El Pecho, The Property of L. Marre, Subdivided by Geo. Story C. E. March - 1893", in the County of San Luis Obispo, State of California, according to map filed for record April 15, 1893, in Book B, at page 85 of Maps, in the office of the County Recorder of said County, being a portion of the property conveyed to Luigi Marre by deed recorded in Book 17, at page 431 of Deeds, and more particularly described as follows:

Beginning at a point in the 3604.50 acre parcel of land described in the deed from Ramona W. Hillard to Luigi Marre dated October 11, 1892 and recorded in the office of the County Recorder of the County of San Luis Obispo, State of California, in Book 17 of Deeds at page 431 which point is determined by running north 63° 11' west 650 feet and north 8° 58' east 520 feet from the bronze disk marking the United States Coast and Geodetic Survey Triangulation Station Diablo and running thence north 88° 15' east 6550 feet; thence south 87° 06' east approximately 3390 feet to a point in the easterly boundary line of the Rancho Pecho y Islay; thence northerly, along the easterly boundary line of said Rancho Pecho y Islay to the intersection of the easterly boundary line of said Rancho Pecho y Islay with the Devils Canon

Creek; thence westerly down the Devils Canon Creek to a point which bears north 8° 58' east from the point of beginning of this description; thence south 8° 58' west approximately 1620 feet to the point of beginning; containing approximately 420 acres.

TOGETHER WITH:

(a) the right from time to time to trim and to cut down and clear away or otherwise destroy trees and brush now or hereafter on said land and to trim and to cut down and clear away any trees which now or hereafter in the opinion of Pacific may be a hazard to structures installed pursuant hereto, by reason of the danger of falling thereon, or may interfere with the exercise of second party's rights hereunder; provided, however, that all trees which Pacific is hereby authorized to cut and remove, if valuable for timber or wood, shall continue to be the property of first party, but all tops, lops, brush and refuse wood shall be burned or removed by Pacific;

(b) the right from time to time to enlarge, improve, reconstruct, relocate and replace any structures installed pursuant hereto with any other number or type of structures either in the original location or at any alternate location or locations on said land;

(c) the right to install, maintain and use gates in all fences;

(d) the right to mark the location of said land by suitable markers set in the ground: provided, that said markers shall be placed in fences or other locations which will not interfere with any reasonable use Properties or Marre shall make of said land.

Pacific hereby covenants and agrees:

(a) Pacific shall not fence said land;

(b) Pacific shall promptly backfill any excavations

PGE 00737

made by it on said land and repair any damage it shall do to private roads on said lands.

Properties reserves the right to use said land for purposes which will not interfere with Pacific's full enjoyment of the rights hereby granted; provided, that Properties shall not erect or construct any building or other structure, drill or operate any well, diminish or add to the ground cover over any of said structures, or deposit or permit or allow to be deposited, earth, rubbish, debris, or any other substance or material, whether combustible or noncombustible, so near to said structures, wires or cables as to constitute a hazard thereto.

Notwithstanding the foregoing restriction, Properties may drill and operate water wells on said land at locations which are more than one hundred (100) feet from the center line of any electric transmission line which Pacific at the time has built or has specific plans to build and if thereafter the operation or maintenance of any well so drilled shall be a hazard to any electric transmission line or be hazardous to operate or maintain by reason of proximity thereto, Pacific shall pay the cost of abandoning the well and drilling a substitute well at a safe location on said land. These restrictions shall be applied reasonably so that Properties shall not be prevented from diverting water reserved from this sublease.

PGE 00738

EXHIBIT C

DESCRIPTION OF PARCEL R

The right to construct, maintain, and use a road substantially along the route shown on the map attached hereto and hereby made a part hereof, and to use land owned by Marre within 200 feet of the center line of said road for a distance of 250 feet inland from the inland boundary of that certain parcel of land conveyed to Port San Luis Harbor District by deed dated September 25, 1964, and recorded March 2, 1965, in the Official Records of San Luis Obispo County in Book 1339 at page 714, together with the right

(1) of grading said road for the full width thereof and to extend the cuts and fills for such grading into and on said land to such extent as may be necessary;

(2) from time to time to trim and to cut down and clear away any and all trees or brush as may be necessary in the construction and maintenance of said road and to trim and to cut down and clear away any trees on either side of said strip of land which may be a hazard to said road, or the users thereof, or may interfere with the exercise of Pacific's rights hereunder; provided, however, that Pacific shall burn or remove all tops, lops, brush, and refuse wood; and

(3) to install in, on, under, or along said road and within seventy-five (75) feet of the center line thereof, underground facilities for the transmission of gas, oil, electricity, water, sewage or communications, as may be necessary for the construction or operation of the generating station on Parcel P.

The said road shall be paved and provide two 12-foot lanes for travel with 4-foot shoulders on each side. Pacific shall provide adequate drainage structures, including culverts, to protect said road and the land adjacent thereto.

PGE 00739

Pacific shall not have the right to dedicate said road to public use. A sign reading as follows:

"NOTICE

This is a private road and permission to use the same is revocable at will."

shall be erected and maintained by Pacific along said road at the point of entry upon land owned by Marre.

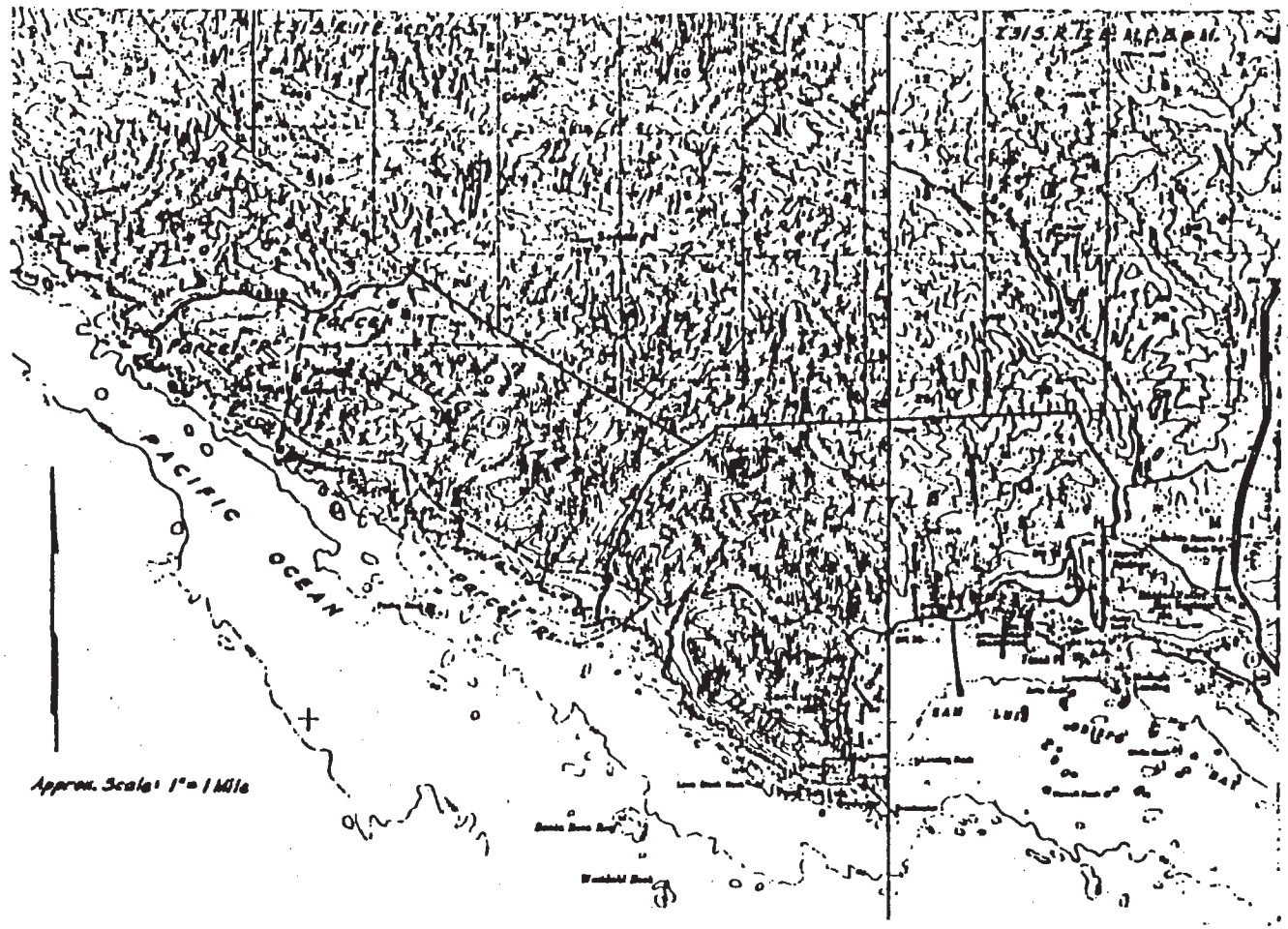
Pacific shall erect and maintain locked gates across the road; provided, however, that Marre or Properties, their employees, licensees, lessees, agents, successors, and assigns, shall have the right to pass through any such locked gate. Each such gate shall be provided with a link chain or other device so that all persons authorized to use the same may open any such gate independently of any other person. Pacific shall keep such gates in good, operable condition and locked at all times, or maintain a gateman at each such gate when such gate is not locked, or take such other precaution as may be agreed upon to prevent unauthorized access to Marre's lands over said road.

The right of way and easement herein granted shall be non-exclusive and Marre and Properties and their employees, licensees, lessees, agents, successors, and assigns shall have the right to use said road in common with Pacific and to permit the joint use of such road by others for purposes which will not interfere with Pacific's full enjoyment of the rights hereby granted; provided, however, that said users shall comply with controls established at gates and to prevent unauthorized access pursuant to Pacific's obligations hereunder; and provided further that the parties and such other users shall share extraordinary maintenance cost of said road in proportion to their use thereof, or as the parties may from time to time agree.

From and after twenty-five (25) years from the date of this agreement, Pacific shall have no right under this sublease to permit employees of its contractors or subcontractors to use

said road for travel to or from Parcel P or T by personal vehicle in the construction of additional units at the generating station unless Pacific shall first obtain the consent of Properties.

PGE 00741



PGE 00742

EXHIBIT D

PARCEL L

A portion of the Rancho Pecho y Islay and the Rancho San Miguelito in the County of San Luis Obispo, State of California, more particularly described as:

Commencing at a point in the middle of Diablo Creek two thousand feet (2000') easterly of the high-tide line; running thence southeasterly along a line two thousand feet (2000') from the high-tide line to the northerly prolongation of the west boundary of the parcel of land described in that certain deed to the United States dated May 28, 1888, and recorded in the office of the County Recorder of said County in Book 1 of Deeds at Page 177; thence south two thousand feet (2000') along said northerly prolongation of the west boundary of said parcel of land to the high-tide line; thence northwesterly along said high-tide line to the center of Diablo Creek; thence easterly along the center line of Diablo Creek to the point of beginning.

EXHIBIT _____

GENERAL CONTINUING GUARANTY

In consideration of any loans and advances by _____ ("Lender") to SAN LUIS OBISPO BAY PROPERTIES, INC. ("Properties"), and for other valuable consideration, the undersigned PACIFIC GAS AND ELECTRIC COMPANY ("Pacific") guarantees to Lender, its successors and assigns, the prompt payment of any and all indebtedness to Lender, according to the terms thereof, which Properties may now or at any time owe to Lender and not exceeding, in the aggregate, at any one time, the amount of _____ Dollars ($_____).

The term "indebtedness to Lender" as used herein, is defined as not only debts to Lender of Properties voluntarily contracted, principal and interest, but every debt, obligation or liability of Properties to Lender, however arising, and whether the same be due or owing, absolute or contingent, determined or inchoate, original or acquired from others, and all renewals and extensions thereof.

This guaranty shall be a continuing guaranty of all indebtedness to Lender in accordance with the provisions hereof, and it shall not be considered as wholly or partially satisfied by the payment by Properties at any time of any sum of money at the time being due on any such indebtedness, but it shall extend to any future indebtedness within the limits specified. Pacific retains the right at any time to terminate this guaranty or modify the amount of Pacific's aggregate liability specified above by written notice addressed to Lender at _____, effective upon the receipt thereof by Lender, but any such termination or modification shall not affect Pacific's obligations hereunder as to indebtedness incurred prior to such termination or modification nor shall it

PGE 00744

affect loans and advances by Lender to Properties made after such termination or modification for the purpose of redeeming any promissory notes of Properties payable to bearer or named third parties as may be outstanding at the date of such termination or modification whether or not Lender shall be obligated to make loans or advances for such redemption. Moreover, any notice modifying the amount of Pacific's aggregate liability hereunder shall not affect Pacific's obligations hereunder for loans and advances thereafter made by Lender to Properties except to increase or decrease, as the case may be, Pacific's aggregate liability as set forth therein.

Lender is hereby given full power to make advances beyond the amount above specified and to make, change, alter, cancel, renew, extend, decrease or increase the amount of principal or interest of such indebtedness of or contracts with Properties, as it and Properties may expressly or impliedly agree upon, or change, substitute, withdraw, decrease, increase or otherwise alter any collateral or property securing such indebtedness or contracts or any part thereof, and otherwise to deal with Properties as it may elect, without in any way diminishing, releasing or discharging the liability hereunder of Pacific, but no such action by Lender shall increase the aggregate liability of Pacific specified above.

Notice of acceptance of this guaranty as well as all demands, presentments, notices of protest and notices of every kind or nature, including these of any action or non-action on the part of Properties, Lender, or anyone else, are hereby fully waived by Pacific except as herein provided. Upon any default of Properties, Lender shall notify Pacific thereof and may, at its option, proceed directly, after the expiration of ten days after such notice against Pacific to collect and recover the amount of Pacific's liability hereunder, or any portion thereof,

PGE 00745

without proceeding against Properties or any other person, or foreclosing upon, selling or otherwise disposing of or collecting or applying any property, real or personal, it may then have as security for such indebtedness. Pacific hereby waives the right to require Lender to proceed against Properties or to pursue any other remedy, waives the right to have the property of Properties first applied to the discharge of such indebtedness, and waives the pleading of any statute of limitations as a defense to the obligations hereunder. Pacific further agrees, without demand, immediately to reimburse Lender for all costs and expenses, including attorneys' fees incurred in the enforcement of this guaranty or the collection of such indebtedness.

Lender hereby waives the benefit of Section 2854 of the California Code and any and all right to the benefit of any security or collateral of Pacific or to compel the application of such security or collateral to satisfaction of any amounts due from Properties or from Pacific hereunder.

Any and all notices or demands served on Pacific shall be in writing, addressed to Pacific at 245 Market Street, San Francisco, California 94106, Attention: _____ _____. They shall be served either personally or by registered mail or by telegraph. If served personally, service shall be conclusively deemed made at the time of service. If served by registered mail, service shall be conclusively deemed made forty-eight hours after deposit thereof in the United States mail, postage prepaid, properly addressed as herein provided. If served by telegraph, service shall be conclusively deemed made at the time the telegraph agency shall confirm delivery thereof to the addressee.

Lender is authorized to disclose to third-party

PGE 00746

lenders this guaranty of Pacific and the terms and conditions thereof.

Dated: _____, 1966.

PACIFIC GAS AND ELECTRIC COMPANY

By _____

Attest _____

By its execution hereof, the undersigned accepts and agrees to the terms and conditions of the foregoing guaranty.

Dated: _____, 1966.

_____

By _____

Attest _____

PGE 00747

EXHIBIT A

DESCRIPTION OF PARCEL P

A portion of Lots 4, 5 and 6 of the Subdivisions of "Part of Rancho El Pecho, The Property of L. Marre, Subdivided by Geo. Story C. E. March - 1893", in the County of San Luis Obispo, State of California, according to map filed for record April 15, 1893, in Book B, at page 85 of Maps, in the office of the County Recorder of said County, being a portion of the property conveyed to Luigi Marre by deed recorded in Book 17, at page 431 of Deeds, and more particularly described as follows:

Beginning at a point in the 3604.50 acre parcel of land described in the deed from Ramona W. Hillard to Luigi Marre dated October 11, 1892 and recorded in the office of the County Recorder of the County of San Luis Obispo, State of California in Book 17 of Deeds at page 431 from which the bronze disk marking the United States Coast and Geodetic Survey Triangulation Station Diablo bears south 63° 11' east 650 feet distant and running thence south 8° 58' west approximately 3400 feet to a point in the Ocean Line and running thence along the Ocean to the intersection of the Ocean Line with the Devils Creek Canon; thence up the Devils Canon Creek to a point which bears north 8° 58' east from the point of beginning of this description; thence south 8° 58' west approximately 2140 feet to the point of beginning; containing approximately 585 acres.

EXHIBIT B

DESCRIPTION OF PARCEL T

The right to give Pacific Gas and Electric Company, hereinafter called "Pacific", in any sublease hereinafter entered into between Lessee and Pacific, easements (a) to construct, operate, maintain, repair, reconstruct, replace, and remove, at any time and from time to time, electric transmission lines, consisting of one or more lines of towers, poles, and/or other structures, wires and cables, including ground wires, both overhead and underground, for the transmission of electric energy, and for communication purposes, and all necessary and proper foundations, footings, crossarms, and other appliances and fixtures for use in connection with said towers, poles, and/or other structures, wires and cables, and (b) to excavate for, install, replace, maintain and use such pipelines as Pacific shall from time to time elect for conveying gas or oil, with necessary and proper valves and other appliances and fittings, and devices for controlling electrolysis for use in connection with said pipelines, together with rights of way, on, along and in the hereinafter described land which is situate in the County of San Luis Obispo, State of California, and is described as follows:

A portion of Lots 3 and 5 of the Subdivisions of "Part of Rancho El Pecho, The Property of L. Marre, Subdivided by Geo. Story C. E. March - 1893", in the County of San Luis Obispo, State of California, according to map filed for record April 15, 1893, in Book B, at page 85 of Maps, in the office of the County Recorder of said County, being a portion of the property conveyed to Luigi Marre by deed recorded in Book 17, at page 431 of Deeds, and more particularly described as follows:

Beginning at a point in the 3604.50 acre parcel of land described in the deed from Ramona W. Millard to Luigi Marre dated October 11, 1892 and recorded in the office of the County Recorder of the County of San Luis Obispo, State of California, in Book 17 of Deeds at page 431 which point is determined by running north 63° 11' west 650 feet and north 8° 58'

PGE 00694

east 520 feet from the bronze disk marking the United States Coast and Geodetic Survey Triangulation Station Diablo and running thence north 88° 15' east 6550 feet; thence south 87° 06' east approximately 3390 feet to a point in the easterly boundary line of the Rancho Pecho y Islay; thence northerly, along the easterly boundary line of said Rancho Pecho y Islay to the intersection of the easterly boundary line of said Rancho Pecho y Islay with the Devils Canon Creek; thence westerly down the Devils Canon Creek to a point which bears north 8° 58' east from the point of beginning of this description; thence south 8° 58' west approximately 1620 feet to the point of beginning; containing approximately 420 acres.

TOGETHER WITH the right to provide in said sublease that Pacific shall have the following rights:

(a) from time to time to trim and to cut down and clear away or otherwise destroy trees and brush now or hereafter on said land and to trim and to cut down and clear away any trees which now or hereafter in the opinion of Pacific may be a hazard to structures installed pursuant hereto, by reason of the danger of falling thereon, or may interfere with the exercise of Pacific's rights under said sublease; provided, however, that all trees which Pacific is hereby authorized to cut and remove, if valuable for timber or wood, shall continue to be the property of Lessor, but all tops, lops, brush and refuse wood shall be burned or removed by Pacific;

(b) from time to time to enlarge, improve, reconstruct, relocate and replace any structures installed pursuant hereto with any other number or type of structures either in the original location or at any alternate location or locations on said land;

(c) to install, maintain and use gates in all fences;

(d) to mark the location of said land by suitable markers set in the ground; provided, that said markers shall be placed in fences or other locations which will not interfere with any reasonable use Lessee or Lessor shall make of said land.

Lessee hereby covenants and agrees any sublease entered into between Lessee and Pacific shall contain covenants that:

PGE 00695

(a) Pacific shall not fence said land;

(b) Pacific shall promptly backfill any excavations made by it on said land and repair any damage it shall do to private roads on said lands.

Lessor reserves the right to use said land for purposes which will not interfere with Pacific's full enjoyment of the rights granted under any sublease entered into between Lessee and Pacific; provided, that Lessor shall not erect or construct any building or other structure, drill or operate any well, diminish or add to the ground cover over any structures erected by Pacific, or deposit or permit or allow to be deposited, earth, rubbish, debris, or any other substance or material, whether combustible or noncombustible, so near to said structures, wires or cables as to constitute a hazard thereto.

Notwithstanding the foregoing restriction, both Lessor and Lessee may drill and operate water wells on said land at locations which are more than one hundred (100) feet from the center line of any electric transmission line which Pacific at the time has built or has specific plans to build and if thereafter the operation or maintenance of any well so drilled shall be a hazard to any electric transmission line or be hazardous to operate or maintain by reason of proximity thereto, Pacific shall pay the cost of abandoning the well and drilling a substitute well at a safe location on said land. These restrictions shall be applied reasonably so that neither Lessor nor Lessee shall be prevented from diverting water reserved from this sublease.

PGE 00696

EXHIBIT C

DESCRIPTION OF PARCEL R

The right to give Pacific Gas and Electric Company, hereinafter called "Pacific", in any sublease hereinafter entered into between Lessee and Pacific, the right to construct, maintain, and use a road substantially along the route shown on the map attached hereto and hereby made a part hereof, and to use land owned by Lessor within 200 feet of the center line of said road for a distance of 250 feet inland from the inland boundary of that certain parcel of land conveyed to Port San Luis Harbor District by deed dated September 25, 1964, and recorded March 2, 1965, in the Official Records of San Luis Obispo County in Book 1339 at page 714, together with the right

(1) of grading said road for the full width thereof and to extend the cuts and fills for such grading into and on said land to such extent as may be necessary;

(2) from time to time to trim and to cut down and clear away any and all trees or brush as may be necessary in the construction and maintenance of said road and to trim and to cut down and clear away any trees on either side of said strip of land which may be a hazard to said road, or the users thereof, or may interfere with the exercise of Pacific's rights under said sublease; provided, however, that Pacific shall be required in said sublease to burn or remove all tops, lops, brush, and refuse wood; and

(3) to install in, on, under, or along said road and within seventy-five (75) feet of the center line thereof, underground facilities for the transmission of gas, oil, electricity, water, sewage or

PGE 00697

communications, as may be necessary for the uses provided in said sublease.

The said road shall be paved and provide two 12-foot lanes for travel with 4-foot shoulders on each side. Pacific shall, in said sublease, be required to provide adequate drainage structures, including culverts, to protect said road and the land adjacent thereto.

In said sublease Pacific shall not be given the right to dedicate said road to public use.

In said sublease Pacific shall further be required to erect and maintain along said road at the point of entry upon land owned by Lessor a sign reading as follows:

"NOTICE

This is a private road and permission to use the same is revocable at will."

Pacific shall also be required in said sublease to erect and maintain locked gates across the road; provided, however, that Lessor or Lessee herein, their employees, licensees, lessees, agents, successors, and assigns, shall have the right to pass through any such locked gate. Each such gate shall be provided with a link chain or other device so that all persons authorized to use the same may open any such gate independently of any other person. Pacific shall also, in said sublease, be required to keep such gates in good, operable condition and locked at all times, or maintain a gateman at each such gate when such gate is not locked, or take such other precaution as may be agreed upon to prevent unauthorized access to Lessor's lands over said road.

The right of way and easement herein granted shall be non-exclusive and Lessor and Lessee and their employees, licensees, lessees, agents, successors, and assigns shall have the right to use said road in common with Pacific and to permit the joint use of such road by others for purposes which will

PGE 00698

not interfere with Pacific's full enjoyment of the rights granted under its sublease; provided, however, that said users shall comply with controls established at gates and to prevent unauthorized access pursuant to Pacific's obligations under said sublease; and provided further that the parties and such other users shall share extraordinary maintenance cost of said road in proportion to their use thereof, or as the parties may from time to time agree.

From and after twenty-five (25) years from the date of its sublease, Pacific shall have no right under said sublease to permit employees of its contractors or subcontractors to use said road for travel to or from Parcel P or T by personal vehicle in the construction of additional units at the generating station unless Pacific shall first obtain the consent of Lessee.

PGE 00699

EXHIBIT D

DESCRIPTION OF PARCEL L

A portion of the Rancho Pecho y Islay and the Rancho San Miguelito in the County of San Luis Obispo, State of California, more particularly described as:

Commencing at a point in the middle of Diablo Creek two thousand feet (2000') easterly of the high-tide line; running thence southeasterly along a line two thousand feet (2000') from the high-tide line to the northerly prolongation of the west boundary of the parcel of land described in that certain deed to the United States dated May 28, 1888, and recorded in the office of the County Recorder of said County in Book 1 of Deeds at Page 177; thence south two thousand feet (2000') along said northerly prolongation of the west boundary of said parcel of land to the high-tide line; thence northwesterly along said high-tide line to the center of Diablo Creek; thence easterly along the center line of Diablo Creek to the point of beginning.

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SHORT FORM OF LEASE

THIS LEASE is made this 17th day of September, 1966, between LUIGI MARRE LAND AND CATTLE COMPANY, a corporation, hereinafter called "LESSOR" and SAN LUIS OBISPO BAY PROPERTIES, INC., a corporation, hereinafter called "LESSEE."

FOR AND IN CONSIDERATION of the sum of One Dollar ($1.00) and other valuable considerations paid by LESSEE to LESSOR, the receipt of which is hereby acknowledged, and mutual covenants contained in that certain lease between the parties hereto, dated the 17th day of September, 1966, hereinafter called "the agreement" and executed simultaneously with this instrument, LESSOR hereby leases to LESSEE and LESSEE hereby hires from LESSOR, according to the terms of that agreement and covered by the terms, convenants, conditions, limitations, and restrictions therein contained, parcels of real property in the County of San Luis Obispo, hereinafter called "premises", and more particularly described on Exhibits A, B, C and D, attached hereto.

THE TERM OF THIS LEASE shall commence on the 17th day of September, 1966, and shall expire at midnight of the 16th day of September 2065.

IT IS UNDERSTOOD that the only purpose of this instrument is to give notice of that agreement to comply with the provisions of Section 1470(c) of the California Civil Code, and all acts and obligations of LESSOR and LESSEE hereunder are governed by the terms, covenants, conditions, limitations, and restrictions contained in that agreement.

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SAN LUIS OBISPO BAY PROPERTIES, INC.

By Robert D. Marre, Jr.

LUIGI MARRE LAND & CATTLE CO.

By Luigi A. Marre, Jr.

PGE 00702

STATE OF CALIFORNIA
COUNTY OF San Luis Obispo } SS.

On September 20, 1966 before me, the undersigned, a Notary Public in and for said County and State, personally appeared Robert B. Morse known to me to be the President, and _____ known to me to be _____ Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

Signature Elizabeth F. Sarber
ELIZABETH F. SARBER
My Commission Expires Aug. 22, 1970
Name (Typed or Printed)
Notary Public in and for said County and State

FOR NOTARY SEAL OR STAMP

ELIZABETH F. SARBER
NOTARY PUBLIC
SAN LUIS OBISPO COUNTY
CALIFORNIA

STATE OF CALIFORNIA
COUNTY OF San Luis Obispo } SS.

On September before me, the undersigned, a Notary Public in and for said County and State, personally appeared Robert B. Morse, known to me to be the President, and _____ known to me to be _____ Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

Signature Elizabeth F. Sarber
ELIZABETH F. SARBER
My Commission Expires Aug. 22, 1970
Name (Typed or Printed)
Notary Public in and for said County and State

FOR NOTARY SEAL OR STAMP

ELIZABETH F. SARBER
NOTARY PUBLIC
SAN LUIS OBISPO COUNTY
CALIFORNIA

SEP 21 1966 19605

EXHIBIT A

A portion of Lots 4, 5 and 6 of the Subdivisions of "Part of Rancho El Pecho, The Property of L. Marre, Subdivided by Geo. Story C. E. March - 1893", in the County of San Luis Obispo, State of California, according to map filed for record April 15, 1893, in Book B, at page 85 of Maps, in the office of the County Recorder of said County, being a portion of the property conveyed to Luigi Marre by deed recorded in Book 17, at page 431 of Deeds, and more particularly described as follows:

Beginning at a point in the 3604.50 acre parcel of land described in the deed from Ramona W. Hillard to Luigi Marre dated October 11, 1892 and recorded in the office of the County Recorder of the County of San Luis Obispo, State of California in Book 17 of Deeds at page 431 from which the bronze disk marking the United States Coast and Geodetic Survey Triangulation Station Diablo bears south 63° 11' east 650 feet distant and running thence south 8° 58' west approximately 3400 feet to a point in the Ocean Line and running thence along the Ocean to the intersection of the Ocean Line with the Devils Creek Canon; thence up the Devils Canon Creek to a point which bears north 8° 58' east from the point of beginning of this description; thence south 8° 58' west approximately 2140 feet to the point of beginning; containing approximately 585 acres.

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EXHIBIT B

The right to give certain easements, over, in, on, along, and through the following described parcel of real property:

A portion of Lots 3 and 5 of the Subdivisions of "Part of Rancho El Pecho, The Property of L. Marre, Subdivided by Geo. Story C. E. March - 1893", in the County of San Luis Obispo, State of California, according to map filed for record April 15, 1893, in Book B, at page 85 of Maps, in the office of the County Recorder of said County, being a portion of the property conveyed to Luigi Marre by deed recorded in Book 17, at page 431 of Deeds, and more particularly described as follows:

Beginning at a point in the 3604.50 acre parcel of land described in the deed from Ramona W. Hillard to Luigi Marre dated October 11, 1892 and recorded in the office of the County Recorder of the County of San Luis Obispo, State of California, in Book 17 of Deeds at page 431 which point is determined by running north 63° 11' west 650 feet and north 8° 58' east 520 feet from the bronze disk marking the United States Coast and Geodetic Survey Triangulation Station Diablo and running thence north 88° 15' east 6550 feet; thence south 87° 06' east approximately 3390 feet to a point in the easterly boundary line of the Rancho Pecho y Islay; thence northerly, along the easterly boundary line of said Rancho Pecho y Islay to the intersection of the easterly boundary line of said Rancho Pecho y Islay with the Devils Canon Creek; thence westerly down the Devils Canon Creek to a point which bears north 8° 58' east from the point of beginning of this description; thence south 8° 58' west approximately 1620 feet to the point of beginning; containing approximately 420 acres.

SEP 21 1995 19605