

Settlement Agreement

Pacific Gas and Electric Company ("PG&E") and the City of San Bruno ("City") enter into this Settlement Agreement ("Agreement") on March 12, 2012, to resolve and settle all claims arising out of the tragic September 9, 2010 pipeline incident in San Bruno and agree as follows:

1. PG&E will contribute \$70 million to City, which will be comprised of (1) fee simple title to five vacant lots in the Glenview neighborhood (identified on Attachment A), which the parties agree together have a fair market value of \$1,250,000; and (2) \$68,750,000 in cash, which will then be transferred to a tax-exempt, not-for-profit public purpose entity.
 - a. The purposes of the entity will be generally to benefit the City of San Bruno and the residents of the City of San Bruno.
 - b. PG&E will contribute the \$68,750,000 and the five vacant lots within 30 days of the signing of this Agreement.
2. Notwithstanding Paragraph 3 of the Irrevocable Trust Agreement, dated March 24, 2011, among PG&E, Michael Garvey, Robert Lanzone, and U.S. Bank, National Association (the "Trust Agreement"), the City, as beneficiary of the Trust Agreement, agrees that under no circumstances will PG&E be required to contribute more than \$50 million to the Trust Fund. The foregoing limitation on PG&E's obligation to fund the Trust will not in any way limit PG&E's obligations under law or under the Indemnity Agreement. Notwithstanding Paragraph 4 of the Trust Agreement, PG&E, as the grantor of the Trust, agrees that the City will not be required to submit claims to its insurer or to any other entity prior to submitting them to the trustee for reimbursement.
3. Within 10 business days of this Agreement, PG&E will provide, at its expense, an irrevocable standby letter of credit, substantially in the form of Attachment B, to secure the funding of the Trust for the difference between \$50 million and the amount by which the Trust has been funded. This difference is currently \$38 million. The letter of credit will have a one-year term with automatic renewal language making the final expiration the earlier of three years from the date of issuance or the termination of the Trust.
 - a. The amount of the letters of credit will be reduced from time to time as PG&E deposits more funds into the Trust in accordance with the terms of the Trust Agreement. The trustee of the Trust will execute and submit a Reduction Notice to the issuer of the letter of credit as provided in Attachment B within five business days of PG&E depositing additional funds into the Trust.
 - b. If the Trust has not terminated at the end of three years, PG&E and the City will meet and confer about extending the letter of credit; provided that extending the letter of credit will be treated as a cost of the Trust.
4. Any and all costs incurred by the City in connection with, related to or caused by the September 9, 2010 pipeline incident will be paid by PG&E pursuant to the Trust Agreement or the Indemnity Agreement between PG&E and the City, and the City

hereby releases certain other claims, demands or damages in accordance with the terms of Attachment C.

5. Any controversy, dispute or claim arising out of or relating to this Agreement will be exclusively resolved according to the provisions of Attachment D.
6. This Agreement will benefit and be binding on the respective successors and assigns of the parties. Nothing is intended to confer any rights, remedies, obligations, or liabilities upon any party other than the City and PG&E or their respective successors and assigns, and, with respect to paragraph 3, Michael P. Garvey and Robert J. Lanzone or their respective successors and assigns.
7. This Agreement may be executed in counterparts, each of which will be deemed an original and which together will constitute a single agreement.
8. The documents integrated into this Agreement are the Irrevocable Trust Agreement dated March 24, 2011, the Indemnity Agreement dated February 6, 2012, the side letter thereto dated February 7, 2012, and the letter agreement dated March 12, 2012 between PG&E Corporation and the City. This Agreement contemplates that the parties will meet within 30 days, and thereafter regularly and in good faith, to address other remaining issues, for example and including but not limited to: a) City's potential purchase at fair market value from PG&E of other lots PG&E acquires in the future; b) a "best practices" plan to provide for streamlined communications between the parties in both emergency and day-to-day operations; c) other matters arising out of the operation of the Trust. This Agreement may only be amended in writing signed by both parties.
9. The Indemnity Agreement dated February 6, 2012, paragraph 6, shall be amended to clarify that the rights assigned to PG&E therein are limited to coverage obtained by or on behalf of third parties for the benefit of City as a result of public works of improvement or public projects, and do not extend to rights City may have in any first-party insurance, risk pool, or self-insurance, and that City retains all rights thereto.
10. This Agreement will be construed and governed by the laws of the State of California

Upon execution of this Agreement by PG&E and the City of San Bruno, Michael Garvey, and Robert Lanzone, this Agreement shall be legally binding and enforceable.

PACIFIC GAS AND ELECTRIC COMPANY CITY OF SAN BRUNO

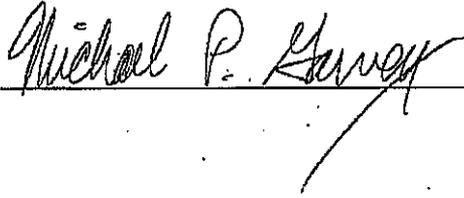
By Christopher P. Johns
Christopher P. Johns, President

By Jim Ruane
Jim Ruane, Mayor

As to Paragraphs 2 and 3 only:

MICHAEL P. GARVEY, TRUSTEE

ROBERT J. LANZONE, SUCCESSOR
TRUSTEE





March 12, 2012

The Honorable Jim Ruane
Mayor, City of San Bruno
567 El Camino Real
San Bruno, CA 94066-4299

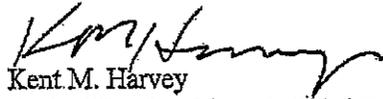
Dear Mayor Ruane,

This memorializes the agreement between the City of San Bruno and PG&E Corporation, correcting an inadvertent omission by PG&E, as follows:

1. PG&E Corporation guarantees the performance of its subsidiary, Pacific Gas and Electric Company ("PG&E"), to contribute \$70 million to the City of San Bruno pursuant to Paragraph 1 of the March 12, 2012 Settlement Agreement between the City and PG&E.
2. The City agrees that the release provided in the Settlement Agreement applies to PG&E Corporation, its subsidiary and affiliated corporations, and their respective current or former officers, directors, agents, employees, and/or successors and assigns.

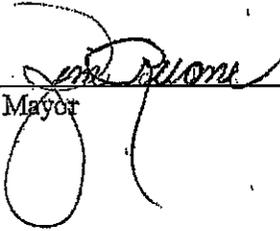
Please sign below to signify the City's agreement and return a copy to me.

Very truly yours,



Kent M. Harvey
Senior Vice President & Chief Financial Officer

Agreed:
CITY OF SAN BRUNO

By  _____
Jim Ruane, Mayor