

RESOLUTION NO. 10-13

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK APPROVING AND AUTHORIZING THE ISSUANCE AND SALE OF REVENUE BONDS ON BEHALF OF THE PACIFIC GAS AND ELECTRIC COMPANY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50,000,000 IN EXCHANGE FOR CERTAIN REVENUE BONDS CURRENTLY OUTSTANDING, THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS HEREIN SPECIFIED AND OTHER MATTERS RELATING THERETO

WHEREAS, California Infrastructure and Economic Development Bank, an entity within the Business, Transportation and Housing Agency of the State of California (herein sometimes called the "Issuer"), was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing with California Government Code Section 63000) (the "Act"), for the purpose of, among other things, financing or refinancing economic development facilities for projects located within the State of California (the "State"), including real and personal property, structures, buildings, equipment, and supporting components thereof that are used to provide economic development facilities, and all facilities or infrastructure necessary or desirable in connection therewith; and

WHEREAS, pursuant to Section 63045(c) of the California Government Code (the "Government Code"), the Issuer is authorized to issue tax exempt revenue bonds pursuant to Chapter 5 of the Act to provide financing for economic development facilities compatible with the public interest as specified in Section 63046 of the Government Code; and

WHEREAS, pursuant to Section 63081 of the Government Code, the Issuer is authorized to issue bonds for the purpose of refunding any bonds, notes or other securities of the Issuer then outstanding, including the payment of any interest accrued, or to accrue, on the earliest of any subsequent date of redemption, purchase, or maturity of these bonds; and

WHEREAS, pursuant to Section 63025.1(j) of the Government Code, the Issuer is authorized to make loans to any sponsor, in accordance with an agreement between the Issuer and the sponsor to refinance indebtedness incurred by the sponsor in connection with projects undertaken and completed prior to any agreement with the Issuer or expectation that the Issuer would provide financing pursuant to the Act; and

WHEREAS, the Issuer has heretofore issued and there are currently outstanding its Revenue Refunding Bonds (Pacific Gas and Electric Company) Series 2005E (non-AMT), in the aggregate principal amount of \$50,000,000 (the "2005E Bonds"), and loaned the proceeds thereof to Pacific Gas and Electric Company (the "Borrower") pursuant to a Loan Agreement relating to the 2005E Bonds, dated as of May 1, 2005 and by and between the Issuer and the Borrower, to refinance, with the proceeds of other indebtedness of the Company related to the Projects (hereinafter mentioned) (such indebtedness, the "Other Outstanding Project Indebtedness"), certain air and water pollution control and sewage and solid waste disposal

facilities located in Lake and Sonoma Counties (the “Geysers Project”) as well as certain air and water pollution control and sewage and solid waste disposal facilities located at the Diablo Canyon Nuclear Power Plant (the “Diablo Canyon Project” and together with the Geysers Project, the “Projects”), which Sidley Austin Brown & Wood LLP, now Sidley Austin LLP, as bond counsel (“Bond Counsel”), previously determined are “exempt facilities” under Section 103(b)(4) of the Internal Revenue Code of 1954, as amended (the “1954 Code”), and which were originally owned and operated by the Borrower; and

WHEREAS, the Issuer has been informed by the Borrower that the Geysers Project (with the exception of its previously decommissioned components) was subsequently transferred to Geysers Power Company, LLC, which has agreed to use the Geysers Project (as so transferred) solely as pollution control facilities within the meaning of Section 103(b)(4)(F) of the 1954 Code, and the regulations thereunder, as in effect prior to August 15, 1986, and continue to own and operate the Geysers Project (as so transferred) in such manner, for so long as tax-exempt bonds issued to finance or refinance the Geysers Project are outstanding; and

WHEREAS, the 2005E Bonds are insured by a financial guaranty insurance policy (the “2005E Bond Insurance Policy”) issued by Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company (the “2005E Bond Insurer”); and

WHEREAS, in response to market disruptions associated with the 2005E Bond Insurer, the Borrower purchased the Other Outstanding Project Indebtedness and the 2005E Bonds; and

WHEREAS, during 2008, the Borrower requested the Issuer to issue its refunding revenue bonds in one or more series (the “Bonds”) to assist the Borrower in the refinancing of the Other Outstanding Project Indebtedness and the 2005E Bonds; and

WHEREAS, the Issuer adopted Resolution No. 08-25 on August 21, 2008, approving and authorizing the issuance and sale of the Bonds on behalf of the Borrower for such purpose, the execution and delivery of certain documents therein specified and other matters relating thereto and requested the Treasurer of the State (the “Treasurer”) to enter into agreements to sell or to exchange the Bonds for the Other Outstanding Project Indebtedness and the 2005E Bonds; and

WHEREAS, the authority granted under said Resolution No. 08-25 expired 90 days after its adoption; and

WHEREAS, on February 24, 2009, the Issuer adopted Resolution No. 09-03, amending said Resolution No. 08-25 (as so amended, the “Prior Resolution”) and extending the authority granted to the Treasurer thereunder to February 25, 2010; and

WHEREAS, prior to the expiration of such extended authority, the Issuer issued on behalf of the Borrower multiple series of Bonds to refinance the Other Outstanding Project Indebtedness; and

WHEREAS, market conditions and other factors caused the Issuer at the request of the Borrower not to issue Bonds to refinance the 2005E Bonds, and the Borrower continues to own the 2005E Bonds; and

WHEREAS, the Borrower recently advised the Issuer that such conditions and factors have changed and requested that the Issuer issue one or more series of the Bonds in an aggregate principal amount not to exceed \$50,000,000 (the “E Refunding Bonds”) to assist the Borrower in the refinancing of the 2005E Bonds; and

WHEREAS, on account of the foregoing and the expiration of the outstanding authorization of the Treasurer under the Prior Resolution to act as aforesaid, the Borrower has requested that the Issuer reauthorize the issuance of the E Refunding Bonds; and

WHEREAS, when issued, the E Refunding Bonds will be exchanged for the 2005E Bonds and upon such exchange, the 2005E Bonds will be delivered to the trustee therefor for cancellation and the loan associated with the 2005E Bonds will be cancelled; and

WHEREAS, the E Refunding Bonds initially will not be insured by any financial guaranty insurance policies; and

WHEREAS, Bond Counsel has advised that the transactions contemplated by this Resolution will not result in there being a “new issue” of obligations for federal income tax purposes and that the E Refunding Bonds will be treated as the same debt instruments as the 2005E Bonds for purposes of Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended and Section 103 of the 1954 Code; and

WHEREAS, the Borrower is a “participating party” and the Projects are “economic development facilities” and, therefore, the Borrower is a “sponsor” within the meaning of the Act; and

WHEREAS, the Borrower has advised the Issuer that its long-term, unsecured debt is rated in one of the three highest rating categories (without regard to “+”s or “-”s or numerical designations) of Moody’s Investors Service, Inc., Standard & Poor’s Ratings Service or Fitch Ratings, Inc.; and

WHEREAS, there is now on file with the Secretary of the Board of Directors of the Issuer (the “Secretary”) the following:

(a) a proposed form of Indenture of Trust (the “Indenture”) to be entered into by and between the Issuer and Deutsche Bank National Trust Company, as trustee (the “Trustee”), providing for the authorization and issuance of E Refunding Bonds;

(b) a proposed form of Loan Agreement (the “Loan Agreement”) to be entered into by and between the Issuer and the Borrower in connection with the issuance of the E Refunding Bonds; and

(c) a proposed form of Bond and Loan Exchange Agreement (the “Exchange Agreement”) to be entered into by and among the Issuer, the Borrower and the Treasurer in connection with the issuance of the E Refunding Bonds by the Issuer to the Borrower; and

WHEREAS, final approval of the above agreements and certain other documents relating to the Bonds is now sought;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of California Infrastructure and Economic Development Bank (the "Board"), as follows:

Section 1. The form of Indenture on file with the Secretary is hereby approved, and each of the Executive Director, the Chair of the Board or the Chair's designee, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver to the Trustee, and the Secretary is authorized to attest to said signatures, with respect to the E Refunding Bonds, an Indenture in substantially the form of the Indenture on file with the Secretary, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 2. The form of Loan Agreement on file with the Secretary is hereby approved; and each of the Executive Director, the Chair of the Board or the Chair's designee, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver to the Borrower, and the Secretary is authorized to attest to said signatures, with respect to the E Refunding Bonds, a Loan Agreement in substantially the form of the Loan Agreement on file with the Secretary, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 3. The form of Exchange Agreement on file with the Secretary is hereby approved, and, subject to the approval thereof by the Treasurer of the State, each of the Executive Director, the Chair of the Board or the Chair's designee, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver to the Borrower, and the Secretary is authorized to attest to said signatures, with respect to the E Refunding Bonds, an Exchange Agreement in substantially the form of the Exchange Agreement on file with the Secretary, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 4. The Issuer approves the issuance of not to exceed \$50,000,000 aggregate principal amount of the E Refunding Bonds in exchange for the 2005E Bonds in accordance with the terms of and to be secured by the Indenture. The E Refunding Bonds may be issued at one time, or from time to time, in one or more series or subseries, as serial bonds or as term bonds, separately or differently identified, and shall be issued on a tax-exempt basis. Payment of the principal of and premium, if any, and interest on the E Refunding Bonds shall be made solely from the revenues to be received by the Issuer pursuant to the Loan Agreement and the Indenture, and the E Refunding Bonds shall not be deemed to constitute a debt or liability of the Issuer or the State, other than a limited obligation of the Issuer payable solely from the revenues pledged therefor. Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, or premium, if any, or interest on, the E Refunding Bonds.

Section 5. Each of the Chair of the Board, the Executive Director or the Chair's designee, acting alone, is hereby authorized and directed to execute, in the name and on behalf of the Issuer, by manual or facsimile signature, the E Refunding Bonds in an aggregate principal

amount not to exceed \$50,000,000, in accordance with the Indenture and in the form set forth in the Indenture. The date or dates, maturity date or dates (which shall not exceed 50 years from the date of issuance of the Bonds), interest rate or rates, methods of determining the interest rate or rates, interest payment dates, denominations, form, registration privileges, place or places of payment, terms of redemption and tender, number and series designation, and other terms of the E Refunding Bonds shall be as provided in the Indenture, as finally executed. In no event shall the rate of interest on the E Refunding Bonds exceed 12% per annum or the maximum rate permitted by law whichever is lower.

Section 6. The Treasurer is hereby authorized and requested to enter into agreements to sell or to exchange the E Refunding Bonds for the 2005E Bonds on one or more dates at private sale or exchange, at such price or prices and at such initial interest rate or rates as he may determine. Notwithstanding Section 63074(d) of the Act to the contrary, such sale may take place at any time within one hundred eighty (180) days of the adoption of this resolution or at such later date as approved by the Executive Director not later than the date three hundred sixty (360) days after the date of adoption of this resolution.

Section 7. The E Refunding Bonds, when so executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate and register the E Refunding Bonds so delivered by executing the appropriate Certificate of Authentication and Registration appearing thereon, and to deliver the E Refunding Bonds, when duly executed, authenticated and registered, to the Borrower for subsequent redelivery to the Underwriters or directly to the Underwriters for the account of the Borrower, in accordance with written instructions executed on behalf of the Issuer by the Executive Director, the Chair of the Board or the Chair's designee, which instructions said official is hereby authorized and directed, for and in the name of and on behalf of the Issuer, to execute and to deliver to the Trustee. Such instructions shall provide for the delivery of the E Refunding Bonds to or for the account of The Depository Trust Company, on behalf of the Borrower for subsequent redelivery to the Underwriters or directly to the Underwriters for the account of the Borrower, upon exchange of the 2005E Bonds therefor by the Borrower or payment of the purchase price therefor by the Underwriters, as applicable.

Section 8. Upon exchange of the E Refunding Bonds for the 2005E Bonds, the trustee for the 2005E Bonds is hereby requested and directed to cancel the 2005E Bonds in accordance with the written instructions executed on behalf of the Issuer by the Chair or Executive Director of the Issuer or the Chair's designee which instructions said official is hereby authorized and directed, for and in the name of and on behalf of the Issuer, to execute and deliver to such trustee, and each of the Chair or Executive Director of the Issuer or the Chair's designee, acting alone, is hereby authorized and directed to execute, in the name and on behalf of the Issuer, such instruments as shall be necessary or appropriate to evidence that the loan associated with the 2005E Bonds has been cancelled.

Section 9. Based upon representations made by the Borrower, the Board of Directors of the Issuer hereby finds and determines pursuant to Section 63046 of the Government Code:

- (a) that the Projects are located in the State;

(b) that the Borrower is capable of meeting its payment obligations under the Loan Agreement;

(c) that the Borrower is capable of meeting all of its other obligations under the agreements approved by this Resolution;

(d) that the payments to the Issuer under the Loan Agreement and the Indenture are adequate to pay the current expenses of the Issuer in connection with the E Refunding Bonds and to make payments on such Bonds;

(e) that the issuance of the E Refunding Bonds is an appropriate financing mechanism for the Projects;

(f) that the Projects are consistent with any existing local and regional comprehensive plans; and

(g) that the refinancing of the Projects demonstrates clear evidence of a defined public benefit in that the Borrower anticipates that the refinancing the 2005E Bonds will result in substantial savings for ratepayers on a present value basis over the term of the E Refunding Bonds.

The finding in subsection (b) above is based on the fact that the Bonds will be rated at the time of issuance in one of the three highest rating categories (without regard to “+”s or “-”s or numerical designations) of Moody’s Investors Service, Inc., Standard & Poor’s Ratings Service or Fitch Ratings, Inc., based solely on the credit of the Borrower.

Section 10. Each of the Executive Director, the Chair of the Board or the Chair’s designee, acting alone, is hereby authorized to execute all documents, certificates and instruments necessary or appropriate in connection with the issuance of the E Refunding Bonds and the exchange of the E Refunding Bonds for the 2005E Bonds and prepare and deliver information regarding the Issuer for inclusion in the disclosure documents relating to the E Refunding Bonds.

Section 11. All actions heretofore taken by the officials of the Issuer with respect to the approval, issuance and sale of the E Refunding Bonds are hereby approved, confirmed and ratified, and the officials of the Issuer and their authorized designees are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and documents that they, their counsel or Bond Counsel may deem necessary or advisable in order to consummate the issuance, sale and delivery of the E Refunding Bonds and otherwise to effectuate the purposes of this Resolution.

Section 12. This Resolution shall take effect from and after its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the Board of Directors of California Infrastructure and Economic Development Bank on March 23, 2010, by the following vote:

AYES: BRYANT, LUJANO, BERTE, ZUNIGA, RICE

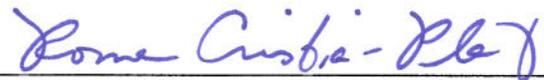
NAYS: NONE

ABSENT: NONE

ABSTAIN: NONE

By 
Stanton C. Hazelroth, Executive Director

Attest:

By 
Roma Cristia-Plant, Secretary