
**ClimateSmart™ Program
2013 Annual Report**



***Pacific Gas and
Electric Company®***

March 17, 2014

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1. Introduction and Program Overview

In accordance with Resolution (Res) G-3429, Pacific Gas and Electric Company (PG&E) submits its annual ClimateSmart™ Program (the Program) report to the California Public Utilities Commission (CPUC or Commission) on the Program's progress through December 31, 2013.

PG&E's ClimateSmart Program was approved by the CPUC in Decision (D.) 06-12-032 on December 14, 2006. The Program enabled PG&E's customers to voluntarily balance out the greenhouse gas (GHG) emissions associated with their own natural gas and electricity use. Customers who participated (at any time between 2007 and when the Program expired on December 31, 2011 per D.10-10-025) were charged an extra \$0.06528 per therm of natural gas and \$0.00254 per kilowatt-hour of electricity (Customer Premiums), which were the volumetric rates set by the CPUC to make the GHG emissions associated with the energy used in their home or business "carbon neutral." The more energy a customer used, the higher the contributions were to the ClimateSmart Program. One hundred percent of the participant's contribution to the Program went towards GHG emission reduction programs. Therefore, the revenues from the Program have been and will be used solely to invest in GHG emission reduction projects in California; these projects include a range of GHG emission reduction methods, including forestry, dairy and landfill methane capture, and refrigerant destruction.

The Program is now focused on managing existing long-term contracts and planning the future disposition of collected ClimateSmart funds through the purchase and retirement of GHG emission reductions in accordance with prior Commission decisions. As discussed in this report, the ClimateSmart Program has: 1) contracted for more verified emissions reductions than was required by the CPUC's performance guarantee, 2) retired emissions reductions to have achieved 94 percent of the 1.36 metric tons of CO₂ equivalent and, 3) is on track to reach or exceed 100 percent of the performance guarantee target by 2021. The ClimateSmart Program was instrumental in educating potential project developers about the applicable Climate Action Reserve (CAR) protocols and the project development process, by providing critical early support for independently verified California GHG emission reduction projects that helped create some of the substantial infrastructure prior to the activation of AB 32 cap and trade activities.

In the Commission's initial decision adopting ClimateSmart (D.06-12-032 or Initial Decision), the CPUC ordered PG&E to issue an annual report for each of the program years, 2007 through 2009. In D.10-10-025, the CPUC approved the extension of the program through December 2011, and ordered PG&E to file an annual report for 2010 as required by D.06-12-032. In lieu of an annual report for 2011, PG&E was ordered to collaborate with the Energy Division and hire an external consultant to conduct a comprehensive evaluation of the ClimateSmart Program. That report was filed with the Commission on June 15, 2012. Finally, in December 2011, Res G-3429 approved the Servicing Agreement between PG&E and the ClimateSmart Charity (Charity), a tax exempt 501(c)(3) entity, created to allow ClimateSmart participants to deduct their ClimateSmart payments from their income taxes. Among other things, Res G-3429 ordered PG&E to provide an annual report beginning on March 15, 2013, until all procured GHG emission reductions have been delivered, including those procured by PG&E to meet the Initial Decision's performance guarantee. Appendix B includes a matrix of the Res G-3429 information requirements to be included in this annual report, and where that information occurs in this report.

a. Execution of Program-Related Agreements

Under the Servicing Agreement approved by the Commission on December 15, 2011, PG&E provides billing, banking, money management and remittance services to the Charity. In Res G-3429 the Commission contemplated that PG&E would assign the Verified Emission Reduction Purchase Agreements (VERPAs) to the Charity once the Servicing Agreement was in effect. Therefore, on December 28, 2012, PG&E and the Charity entered into an Assignment and Assumption Agreement (Assignment Agreement), which assigns and transfers the VERPAs to the Charity. The Charity assumes all of PG&E's liabilities and obligations under each of the VERPAs and agrees to perform the covenants, duties and obligations of PG&E under each of the VERPAs. However, PG&E will act as a guarantor in case of default by the Charity.

In connection with the Assignment Agreement, PG&E and the Charity also entered into an agreement to address the ongoing management and administration of the VERPAs (Management Agreement). This Management Agreement establishes PG&E as the Service Provider, under which PG&E will continue to be responsible for managing and administering the VERPAs, and the Charity as the Service Recipient. PG&E's services include, but are not limited to: payment and settlement of contracts, portfolio management, financial services, tax services, legal affairs and accounting services. No fees shall be charged to either party for the services provided under the Management Agreement.

b. 2012 ClimateSmart Charity Annual Financial Statements

The Charity prepared its 2012 annual financial statements during 2013. These financial statements were audited by Certified Public Accountant firm Link, Murrell & Company, LLP, which provided an unqualified opinion regarding the financial statements as presented on December 31, 2012. The audit report and accompanying financial statements were furnished to the Commission in 2013. All fees were paid by PG&E and none were borne by the Charity.

c. Performance Guarantee

On January 21, 2010, in Res G-3425, the CPUC established a performance guarantee of 1.5 million short tons¹ of carbon dioxide equivalent (CO₂e). This equates to 1,360,777 metric tons (MT) CO₂e, which will be the CO₂e unit referred to throughout the remainder of this report.

The ClimateSmart Program has contracted for sufficient Verified Emission Reductions (VERs) to meet and to exceed the performance guarantee milestone set by the CPUC. Specifically, as of December 31, 2013, the ClimateSmart Program has contracted for 1,461,577 VERs.² As of December 31, 2013, the ClimateSmart Program has permanently retired 1,277,344 of those 1,461,577 contracted VERs (see Table 2-1). The ClimateSmart Program and Charity have worked diligently to manage funds efficiently and effectively while creating a diverse carbon offset portfolio.

¹ One short ton = 0.9072 metric tons = 2,000 pounds.

² One VER represents the reduction or offset of one metric ton of carbon dioxide equivalent (MT CO₂e).

While some delays in the delivery of VERs were experienced, the Program worked to amend and make achievable the delivery terms of contracted VERs, or to shift deliveries to existing vendors with a history of reliable performance. Additionally, the Program contracted for options to purchase VERs at prices below the Program's average price of \$9.12 per VER (Table 2-1) to effectively manage potential surplus of contracted offsets, and to maximize the funds available for use. Section 2 below, entitled "Contracts Overview," details the delivery history and future commitments of the ClimateSmart Charity contracts, which are projected to extend through 2021.

d. Program Funds

The Charity maintains one bank account, with Mellon Bank. During fiscal year 2013, the total amount of interest earned on the balance in that bank account was \$784. The funds, including any interest earned, have been and will be used solely to procure GHG emission reductions in the future. The Charity did not receive any additional program funds during 2013.

As of December 31, 2013, the Program fund balance was \$2,170,188.

2. Contracts Overview

The following entities are under contract or recently completed contracts to deliver VERs under the ClimateSmart Program:

- 1) ABEC Bidart-Old River
- 2) City of Arcata
- 3) Environmental Credit Corporation
- 4) Recology
- 5) Sempervirens Fund
- 6) The Conservation Fund

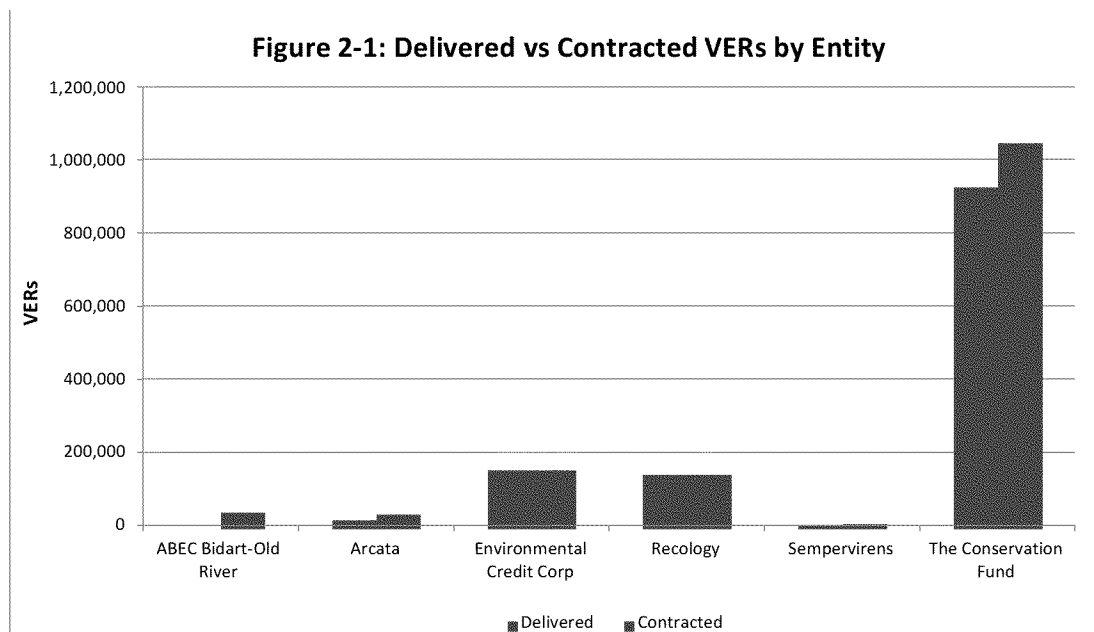
The following sections (a through f) provide detail for each of the contracts with these entities, including: a general overview of their project(s) and contract, amendments, and a summary of the VERs already delivered. Unredacted contract agreements executed during the record period are provided in Appendix A.

All contracts have been procured with ClimateSmart Program funds and related interest, and are currently in compliance with their contract terms. Environmental Credit Corporation completed deliveries for all contracted VERs in 2011. Recology completed deliveries for all contracted VERs in 2013, with two Options available to be exercised to deliver additional VERs if needed. The other contracts remain active for 2014. Table 2-1 shows a summary of the total contracted VERs and deliveries made through the end of 2013.

**TABLE 2-1
SUMMARY OF GHG EMISSION REDUCTIONS UNDER CONTRACT**

| | |
|----------------------------------------------|-----------|
| Performance Guarantee (MT CO ₂ e) | 1,360,777 |
| Contracted VERs | 1,461,577 |
| Average Price per VER | \$9.12 |
| VERs Delivered to PG&E and Retired | 1,277,344 |

Figure 2-1 shows the total number of contracted VERs by entity and the deliveries completed through December 31, 2013.



a. ABEC Bidart-Old River (Assigned from California Bioenergy)

i. Overview

ABEC Bidart-Old River's (ABEC) Old River Road and Stockdale projects are livestock methane projects near Bakersfield, California. Manure from the dairy cows is put through an anaerobic digester, where bacteria break down the manure and release methane.³ Under these two projects, the methane is trapped and destroyed instead of being released into the atmosphere. Under the original contract, ABEC was obligated to deliver 75,000 VERs between 2010 and 2013, but subsequent contract amendments have reduced the quantity of VERs and delayed the delivery requirements, as described below. This contract is still active.

³ Per the Climate Action Reserve Program a global warming potential of 21 is used to convert methane into CO₂e.

Contract Chronology:

- April 14, 2009 – PG&E and California Bioenergy LLC executed a VERPA.
- July 1, 2010 – Amendment signed to add any additional dairy to California Bioenergy’s Project and to describe the buyer contractor requirement and Buyer’s Supplier Diversity Purchasing policy.
- December 21, 2012 – Amendment signed to reduce the volume of VERs from 75,000 to 45,000 and extend the Guaranteed Commercial Operation Dates to April 1, 2013 for the Stockdale dairy and to August 15, 2014 for the Old River dairy.
- September 4, 2013 – Consent to Assignment (CTA) signed transferring the ClimateSmart VERPA from California Bioenergy, LLC to ABEC Bidart-Old River, LLC (Appendix A). CTA was completed to consolidate the counterparties for the VERPA and Renewable Portfolio Standard Power Purchase Agreement with PG&E.

ii. Summary of GHG Reductions

ABEC has yet to deliver VERs, but is contracted to deliver 1,250 VERs in 2014.

**TABLE 2-2
ABEC GHG EMISSION REDUCTIONS CONTRACTED
FOR AND DELIVERED**

| VER Vintage* | VERs Contracted | VERs Delivered |
|-------------------------|----------------------------|---------------------------|
| 2013 | 1,250 | – |
| 2014 | 13,000 | – |
| 2015 | 15,000 | – |
| 2016 | 15,750 | – |
| Total | 45,000 | – |

*The vintage is the year the reductions occurred, which are expected to be delivered the following year.

b. City of Arcata

i. Overview

On November 23, 2009, PG&E executed a VERPA with the city of Arcata for 40,000 VERs to be delivered through 2013 from the Jacoby Creek and Sunny Brae tracts of Arcata’s Community Forest. By reducing the amount of timber harvesting done in these 460 acres of redwood and Douglas-fir forests, the city of Arcata will be allowing more CO₂ to be captured and removed from the

atmosphere. The delivery dates were extended through subsequent amendments, as described below. This contract is still active.

Contract Chronology:

- November 23, 2009 – PG&E and the city of Arcata executed a VERPA.
- December 29, 2010 – Amendment signed to extend the following Guaranteed Milestones: CAR registration; Project Verification report deadline; delivery of Annual Amount for Reporting Year 2009; and repayment of the Prepayment.
- February 11, 2011 – Amendment signed to further extend the Guaranteed Milestones listed above.
- December 22, 2011 – Amendment signed to clarify Definitions and once again extend Guaranteed Milestones.

ii. Summary of GHG Reductions

In 2013, the city of Arcata delivered 5,443 VERs to the ClimateSmart Program. To date, the city of Arcata has delivered 23,123 of the 40,000 VERs contracted to the ClimateSmart Program.

**TABLE 2-3
CITY OF ARCATA GHG EMISSION REDUCTIONS
CONTRACTED FOR AND DELIVERED**

| VER Vintage | VERs Contracted | VERs Delivered |
|------------------------|----------------------------|---------------------------|
| 2009 | 3,489 | 3,489 |
| 2010 | 4,442 | 4,442 |
| 2011 | 9,750 | 9,749* |
| 2012 | 5,422 | 5,443* |
| 2013 | 5,422 | – |
| 2014 | 5,422 | – |
| 2015 | 5,422 | – |
| 2016 | 631 | – |
| Total | 40,000 | 23,123 |

*20 VER over delivery was permitted; 1 additional 2012 VER delivered due to vintage 2011 shortfall.

**TABLE 2-4
CITY OF ARCATA – GHG EMISSION REDUCTIONS
DELIVERED ANNUALLY**

| Delivery Year | VERs Quantity |
|----------------------|----------------------|
| 2012 | 17,680 |
| 2013 | 5,443 |
| Total | 23,123 |

c. Environmental Credit Corporation

i. Overview

PG&E contracted with Environmental Credit Corporation (ECC) on a U.S. Ozone Depleting Substances (ODS)⁴ project, where ECC destroyed recovered/reclaimed refrigerants from disposed refrigerators, freezers, air conditioners, and bulk chillers. The majority of the materials were recovered at the Appliance Recycling Center of America in Compton, California. ECC worked with Appliance Recycling Centers of America to consolidate the refrigerants, ship them to an approved destruction facility, and pay for the destruction and verification of the destruction. All contract terms have been fulfilled.

ii. Summary of GHG Reductions

ECC has delivered all 160,000 of the contracted VERs to the ClimateSmart Program.

**TABLE 2-5
ENVIRONMENTAL CREDIT CORPORATION GHG EMISSION REDUCTIONS
CONTRACTED FOR AND DELIVERED**

| VER Vintage | VERs Contracted | VERs Delivered |
|--------------------|------------------------|-----------------------|
| 2010 | 100,000 | 140,358 |
| 2010/2011 | 60,000 | 19,642 |
| Total | 160,000 | 160,000 |

⁴ ODS were historically used in a variety of applications including refrigerants, foam blowing agents, solvents, and fire suppressants. In addition to their potency as ozone depleting substances, ODS exhibit high global warming potentials. The Montreal Protocol and the U.S. Clean Air Act control the production of ODS in the United States; however, neither framework requires the destruction of existing stocks of ODS. As such, continued use of these ODS is still widespread.

**TABLE 2-6
ENVIRONMENTAL CREDIT CORPORATION – GHG EMISSION
REDUCTIONS DELIVERED ANNUALLY**

| Delivery Year | VERs Quantity |
|---------------|----------------|
| 2011 | 160,000 |
| Total | 160,000 |

d. Recology

i. Overview

In 2009, PG&E contracted with Recology’s Hay Road and Yuba-Sutter methane capture projects that capture and destroy landfill gas. The Hay Road Landfill is located in Vacaville and the Yuba-Sutter Landfill is located in Marysville. Combined, these two projects were originally required to deliver 137,750 VERs to the ClimateSmart Program. This quantity was increased to 147,750 VERs in a subsequent amendment, as described below. In 2013, Recology completed deliveries for all contracted VERs; however, this contract is still active as there are two Options available to be exercised.

Contract Chronology:

- August 10, 2009 – PG&E and Recology Hay Road executed a VERPA to deliver 90,750 MT CO₂e between 2010 and 2013.
- December 18, 2009 – PG&E and Recology Yuba-Sutter executed a contract to deliver 47,000 MT CO₂e between 2010 and 2013.
- December 31, 2009 – Amendment signed to add a Parcel to the Yuba-Sutter Project.
- April 30, 2012 – Amendment signed to allow Recology to meet VER delivery requirements from either Yuba-Sutter or Hay Road project by April 15, 2014.
- December 21, 2012 – Amendment signed for purchase of 10,000 additional VERs and two options for the Program to purchase VERs in the future: Option 1 for 1,800 additional VERs and Option 2 for 20,000 additional VERs.

ii. Summary of GHG Reductions

In 2013, Recology delivered 39,638 VERs to the ClimateSmart Program. To date, Recology has completed deliveries of the total 147,750 contracted VERs from its Hay Road and Yuba-Sutter projects.

**TABLE 2-7
RECOLOGY GHG EMISSION REDUCTIONS
CONTRACTED FOR AND DELIVERED**

| VER Vintage | VERs Contracted – Total* | VERs Delivered – Hay Road | VERs Delivered – Yuba-Sutter | VERs Delivered – Total |
|--------------------|---------------------------------|----------------------------------|-------------------------------------|-------------------------------|
| 2009 | 42,880* | 1,087 | – | 1,087 |
| 2010* | | 41,793 | – | 41,793 |
| | 104,870* | – | 5,437 | 5,437 |
| 2011 | | 48,978 | 10,817 | 59,795 |
| 2012 | | 28,809 | 10,829 | 39,638 |
| 2013 | | – | – | – |
| Total | 147,750 | 120,667 | 27,083 | 147,750 |

*Agreement was amended after 42,880 VERs were delivered, to allow Recology to deliver the remaining VERs from either project and at any time but no later than April 14, 2014.

**TABLE 2-8
RECOLOGY – GHG EMISSION REDUCTIONS
DELIVERED ANNUALLY**

| Delivery Year | VERs Quantity |
|----------------------|----------------------|
| 2011 | 42,880 |
| 2012 | 65,232 |
| 2013 | 39,638 |
| Total | 147,750 |

e. Sempervirens Fund

i. Overview

In 2008, PG&E contracted with Sempervirens Fund, a 110-year-old land trust, to establish permanent conservation easements to protect and sequester CO₂ emissions from 202 acres of redwood trees in the Lompico Forest in the Santa Cruz Mountains. These trees capture significant amounts of CO₂, and had been slated for logging. Under the contract, Sempervirens Fund agreed to deliver 14,148 VERs by 2021. This contract is still active.

Contract Chronology:

- February 26, 2008 – PG&E and Sempervirens Fund executed a VERPA.
- January 7, 2009 – Amendment signed to extend Milestones and VER delivery schedule.
- December 31, 2009 – Amendment signed to clarify Definitions, update Exhibits, and to further extend Milestones.

ii. Summary of GHG Reductions

In 2013, Sempervirens delivered 848 VERs to the ClimateSmart Program. To date, Sempervirens has delivered 11,792 of the 14,148 VERs under contract, currently ahead of its contracted schedule.

**TABLE 2-9
SEMPERVIRENS FUND GHG EMISSION REDUCTIONS
CONTRACTED FOR AND DELIVERED**

| VER Vintage | VERs Contracted | VERs Delivered |
|------------------------|----------------------------|---------------------------|
| 2007 | 6,998 | 7,552 |
| 2008 | 257 | 848 |
| 2009 | 265 | 848 |
| 2010 | 271 | 848 |
| 2011 | 277 | 848 |
| 2012 | 284 | 848 |
| 2013 | 292 | – |
| 2014 | 299 | – |
| 2015 | 307 | – |
| 2016 | 314 | – |
| 2017 | 322 | – |
| 2018 | 63 | – |
| 2019 | 59 | – |
| 2020 | 55 | – |
| 2021 | 4,085 | – |
| Total | 14,148 | 11,792 |

**TABLE 2-10
SEMPERVIRENS FUND – GHG EMISSION
REDUCTIONS DELIVERED ANNUALLY**

| Delivery Year | VERs Quantity |
|---------------|---------------|
| 2010 | 9,248 |
| 2011 | 848 |
| 2012 | 848 |
| 2013 | 848 |
| Total | 11,792 |

f. The Conservation Fund

i. Overview

Under The Conservation Fund’s (TCF) Garcia River Forest (approximately 23,780 acres), Big River Forest (approximately 11,770 acres), and Salmon Creek Forest (approximately 4,250 acres) projects, TCF preserves trees that otherwise would have been harvested, resulting in the sequestration of CO₂. TCF’s contract requires the Garcia River Forest project to deliver 200,000 VERs by 2012 and the Big River and Salmon Creek Forest projects to deliver 600,000 VERs by 2016. As summarized below, a subsequent amendment allowed for additional VERs to be purchased by PG&E. This contract is still active.

Contract Chronology:

- February 27, 2008 – PG&E and TCF executed a VERPA.
- March 3, 2009 – Amendment signed to incorporate the Big River Forest and Salmon Creek Forest projects into TCF’s Project.
- August 4, 2009 – Amendment signed to transfer 40,000 additional VERs and to give PG&E the option to purchase an additional 60,000 from the Garcia River Forest Project.
- April 12, 2011 – Amendment signed to transfer an additional 33,879 VERs, and add two options: the first for the purchase of 120,000 VERs, and the second for the purchase of an additional 60,000 VERs. In addition, the amendment revised TCF’s right of first refusal obligation.

ii. Summary of GHG Reductions

In 2013, TCF delivered 80,000 VERs to the ClimateSmart Program. To date, TCF has delivered 934,679 of the 1,054,679 VERs under contract to the ClimateSmart Program.

**TABLE 2-11
TCF GARCIA RIVER FOREST GHG EMISSION REDUCTIONS
CONTRACTED FOR AND DELIVERED**

| VER Vintage | VERs Contracted | VERs Delivered |
|------------------------|----------------------------|---------------------------|
| 2008 | 140,800 | 140,800 |
| 2009 | 40,000 | 40,000 |
| 2010 | 193,879 | 213,879* |
| 2011 | 40,000 | —* |
| 2012 | 40,000 | 40,000 |
| Total | 454,679 | 434,679 |

*40,000 vintage 2011 VERs were replaced with 20,000 vintage 2010 VERs from the Garcia River Forest and 20,000 vintage 2011 VERs from the Big River and Salmon Creek Forests

**TABLE 2-12
TCF BIG RIVER AND SALMON CREEK FORESTS GHG EMISSION
REDUCTIONS CONTRACTED FOR AND DELIVERED**

| VER Vintage | VERs Contracted | VERs Delivered |
|------------------------|----------------------------|---------------------------|
| 2009 | 200,000 | 200,000 |
| 2010 | 200,000 | 200,000 |
| 2011 | 40,000 | 60,000* |
| 2012 | 40,000 | 40,000 |
| 2013 | 40,000 | — |
| 2014 | 40,000 | — |
| 2015 | 40,000 | — |
| Total | 600,000 | 500,000 |

*20,000 vintage 2011 VERs replaced the equivalent vintage 2011 VER volumes from the Garcia River Forest

**TABLE 2-13
TCF GHG EMISSION REDUCTIONS
DELIVERED ANNUALLY**

| Delivery Year | VERs Quantity |
|----------------------|----------------------|
| 2009 | 140,800 |
| 2010 | 240,000 |
| 2011 | 313,879 |
| 2012 | 160,000 |
| 2013 | 80,000 |
| Total | 934,679 |

3. Conclusion

The ClimateSmart Program continues to make significant progress towards the CPUC's required performance guarantee of 1,360,777 MT CO₂e of GHG emission reductions retired. Thus far, the Program has reached 94 percent of this target (1,277,344 MT CO₂e) and is on track to reach or exceed 100 percent of its Program target by 2021.

Appendix A. 2013 Executed Agreements

California Bioenergy Consent to Assignment

CONSENT TO ASSIGNMENT AND AGREEMENT

This Consent to Assignment and Agreement (“CTA”) is by and between ClimateSmart Charity (“Charity”), a California public benefit corporation, California Bioenergy LLC (“Assignor”), a California limited liability company and ABEC Bidart–Old River, LLC (“Assignee”), a California limited liability company. Charity, Assignor and Assignee are sometimes referred to herein individually as “Party” and collectively as the “Parties”.

Charity hereby consents to the assignment by Assignor to Assignee of the entirety of the rights, title and interest Assignor may have in and to the agreements described on Exhibit A attached hereto and incorporated herein by this reference the “Assigned Agreement(s)”, for the ClimateSmart Program Verified Emission Reduction Purchase and Sale Agreement, as of the date of last signature hereunder (the “Effective Date”) under the terms and conditions set forth below. Capitalized terms not otherwise defined in this CTA shall have the meaning attributed to such terms in the Assigned Agreement.

1. Assignor and Assignee recognize and acknowledge that Charity makes no representation or warranty, express or implied, that Assignor has any right, title, or interest in the Assigned Agreement(s). Assignee is responsible for satisfying itself as to the existence and extent of Assignor's right, title, and interest in the Assigned Agreement(s) and Assignor and Assignee expressly release Charity from any liability resulting from this CTA. Assignee and Assignor further acknowledge that this CTA creates no obligation of Charity to consent to any future assignments of the Agreement(s) by Assignee or Assignor.

2. Assignee hereby assumes each and every duty and obligation in the Assigned Agreement(s) now the sole responsibility of Assignor. Charity hereby releases and discharges Assignor from each and every duty and obligation in the Assigned Agreement(s).

3. Assignee acknowledges that the assignment of rights to it may be subject to previous assignments, liens or claims executed or arising prior to the Effective Date. Assignee agrees that it takes this assignment subject to any defenses or causes of action Charity may have against Assignor.

4. Assignor hereby requests that Charity (i) henceforth make any payments which shall become due under the Assigned Agreement(s) to Assignee and (ii) substitute Assignee for Assignor as the notice addressee under the Assigned Agreement(s).

5. All notices hereunder shall be in writing and shall be effective when received; for purposes of this CTA, notices shall be deemed received (i) at the close of business on the date of receipt, if delivered by hand, or (ii) at the time and on the date of receipt of a facsimile, or (iii) when signed for by recipient, if sent via registered or certified mail, postage prepaid, or via courier; provided that, such notice was properly addressed to the appropriate address indicated on the signature page hereof or to such other address as a Party may designate by prior written notice to the other Parties.

6. Assignee and Assignor each agree that Charity shall have (and Charity hereby expressly reserves) the right to set off or deduct from payments due to Assignor, each and every

amount due Charity from Assignor arising out of or in connection with the Assigned Agreements in accordance with the terms of such Assigned Agreements or in accordance with applicable law.

7. Assignee and Assignor agree that any change in payment notification will become effective within 30 days receipt of written notice.

8. Assignee has (i) caused all Project Participants to execute the acknowledgement of Exclusive Ownership in the form of Exhibit 6.2.4 attached hereto as Exhibit B and has delivered copies thereof to Buyer as of the date of this CTA, and (ii) executed an Exhibit 8.1: VERS Financing Statement and Security Agreement attached hereto as Exhibit C and has delivered a copy to Buyer.

9. Within twenty (20) Business Days of the Effective Date, the Assignee shall execute and record, in the appropriate real property records of the counties in which the Dairies are situated, a short form memorandum of lease substantially in the form of Exhibit 4.13 to provide constructive notice to third parties of Assignee's obligations under the Assigned Agreement. Assignee will not agree to and will not release such document during the Delivery Term without Charity's prior written consent.

10. Other than as explicitly provided herein, this CTA is neither a modification of nor an amendment to the Assigned Agreement(s).

11. The Parties hereto agree that this CTA shall be construed and interpreted in accordance with the laws of the State of California, excluding any choice of law rules which may direct the application of the laws of another jurisdiction.

12. No term, covenant or condition hereof shall be deemed waived and no breach excused unless such waiver or excuse shall be in writing and signed by the Party claimed to have so waived or excused.

ClimateSmart Charity
77 Beal Street, Mail Code B24A
San Francisco, CA 94105

Attn: CEO
ClimateSmart Charity

ClimateSmart Charity, a California public
benefit corporation

By: Molly Hout

Name: MOLLY HOUT


Title: CEO, ClimateSmart Charity

Dated: 8/29/13

Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94105

Attn: Director
Contract Management

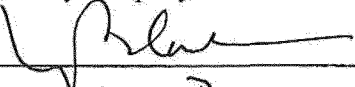
Pacific Gas and Electric Company,
a California corporation

By: 
Name: Candice Chan
Title: Director
Dated: 9/4/2013

Assignee:

ABEC Bidart-Old River LLC
2828 Routh St, Suite 500
Dallas, TX 75201

ABEC Bidart-Old River LLC, a California
limited liability company

By: 
Name: NEIL BLACK
Title: PRESIDENT
Dated: 8/29/13

Assignor:

California Bioenergy LLC
2828 Routh St, Suite 500
Dallas, TX 75201

California Bioenergy LLC, a California limited
liability company

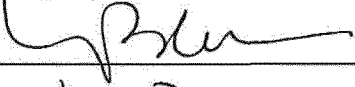
By: 
Name: NEIL BLACK
Title: PRESIDENT
Dated: 8/29/13

Exhibit A

Description of Assigned Agreement(s)

ClimateSmart Program Verified Emissions Reduction Purchase and Sale Agreement dated April 14, 2009, as amended between California Bioenergy LLC and ClimateSmart Charity

EXHIBIT B

Acknowledgements of Exclusive Ownership


EXHIBIT 6.2.4

**ACKNOWLEDGMENT
OF
EXCLUSIVE OWNERSHIP OF SUBJECT VERS
BY**

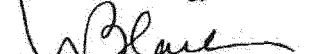
**ABEC Bidart-Old River LLC, California Bioenergy LLC, Bidart Family Partnership, L.P.
and Bidart Dairy II, LLC
For the Old River Dairy**

1. The Bidart Family Partnership, L.P. ("Bidart LP") is the sole owner of the fee simple interest in the premises on which the Bidart Dairy operates (the "Premises").
2. Bidart LP has leased the Premises to Bidart Dairy II, LLC ("Bidart LLC"), which operates the Bidart Dairy, pursuant to that certain lease dated October 25, 2002 (the "Master Lease").
3. Bidart LLC has leased the Premises to ABEC Bidart-Old River LLC ("ABEC Old River") pursuant to that certain Second Amended and Restated Lease and Feedstock Supply Agreement, which is between ABEC Old River and Bidart, dated on August 1, 2013.
4. ABEC Old River, Bidart LP and Bidart LLC understand and acknowledge that California Bioenergy LLC ("CBE") and Pacific Gas and Electric Company ("PG&E") had entered into that certain Verified Emission Reduction Purchase and Sale Agreement dated on or about April 2, 2009 ("VERPA"), which subsequently has been assigned by PG&E to the ClimateSmart Charity ("Charity"), and upon consent of the Charity will be assigned from CBE to ABEC Old River, pursuant to which ABEC Old River has agreed to sell to the Charity certain Verified Emission Reductions generated by a project operated by CBE on the Premises ("Subject VERS").
5. CBE, Bidart LP, and Bidart LLC acknowledge that ABEC Old River is the owner of the Subject VERS and, as between ABEC Old River, Bidart LLC, Bidart LP and CBE, ABEC Old River has the sole right to sell the Subject VERS.


Bidart Family Partnership, L.P.


 By: OWNER
 Its: _____
 Date: 8/28/13

California Bioenergy LLC


 By: Neil Black
 Its: President
 Date: 8-27-13

Bidart Dairy II, LLC


 By: John Bidart OWNER
 Its: _____
 Date: 8/28/13

ABEC Bidart-Old River, LLC



 By: Neil Black
 Its: President
 Date: 8-27-13

EXHIBIT C

VERS Financing Statement and Security Agreement

**EXHIBIT 8.1
VERS FINANCING STATEMENT AND SECURITY AGREEMENT**

This FINANCING STATEMENT and SECURITY AGREEMENT covers all of Debtor's interests in all of the following types or items of property, wherever located and whether now owned or hereafter acquired, and Debtor hereby grants Secured Party a security interest therein as collateral for the payment and performance of all obligations of Debtor to Secured Party under that certain Verified Emission Reduction Purchase and Sale Agreement between Secured Party and Debtor of proximate date herewith (the "VERPA") with Debtor, as assignee of California Bioenergy, LLC pursuant to an assignment and assumption agreement.

Debtor agrees that said security interest may be enforced by Secured Party in accordance with the terms of all security and other agreements between Secured Party and Debtor, the California Uniform Commercial Code, or both, and that this document shall be fully effective as a security agreement, even if there is no other security or other agreement between Secured Party or Debtor.

The collateral subject to this FINANCING STATEMENT and SECURITY AGREEMENT shall be:

(a) All present and future rights, title and interest of Debtor in "Subject VERs" produced by the "Project," as those terms are defined in the VERPA, whether the same is characterized under or for the purposes of Division 9 of the Uniform Commercial Code as "general intangibles", "chattel paper", "contract rights", "documents", "instruments", or "farm products", or any other category of collateral, together with Debtor's rights to take any action or exercise any right with respect thereto;


(b) All books, records, ledger cards, computer data and programs and other similar property and general intangibles at any time evidencing or relating to any or all of the Subject VERs; and

(c) All cash and non-cash products and proceeds of any of collateral described in subsections (a) and (b) above, in whatever form, including proceeds of proceeds and proceeds of insurance, and all claims by Debtor against third parties for loss or damage to, or destruction of, or otherwise relating to, any or all of the foregoing.

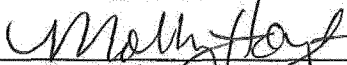
The collateral expressly excludes the Project, Project equipment and all parts and portions, products and proceeds of the Project and Project equipment, if not otherwise described in (b) above.

NOTICE - DEBTOR HAS AGREED NOT TO FURTHER ENCUMBER THE COLLATERAL DESCRIBED HEREIN, THE FURTHER ENCUMBERING OF WHICH MAY CONSTITUTE THE TORTIOUS INTERFERENCE WITH SECURED PARTY'S RIGHTS BY SUCH ENCUMBRANCER. IF ANY ENTITY IS GRANTED A SECURITY INTEREST IN DEBTOR'S ASSETS CONTRARY TO THE ABOVE, THE SECURED PARTY ASSERTS A CLAIM TO ANY PROCEEDS THEREOF RECEIVED BY SUCH ENTITY.

"DEBTOR"
ABEC BIDART-OLD RIVER LLC

By: 
Name: NEIL BLACK
Title: PRESIDENT

"SECURED PARTY"
CLIMATESMART CHARITY

By: 
Name: MOLLY HOYT
Title: CEO, CLIMATESMART CHARITY

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Appendix B. Resolution G-3429 – Compliance Matrix

In accordance with Ordering Paragraph 14 of Resolution G-3429, PG&E shall provide an unredacted report annually to the Energy Division, through an Information-only Filing, containing, at minimum, the information specified in **Attachment A of Resolution G-3429**, below. The first report was due March 15, 2013. Successive reports are due on March 15th of each year thereafter except in the event March 15th of a particular year falls on a weekend or recognized state holiday. In that case, the report shall be due on the next business day. This reporting requirement shall remain in effect until all procured GHG emission reductions have been delivered, including those procured by PG&E to meet the D.06-12-032 performance guarantee.

ATTACHMENT A OF RESOLUTION G-3429

| | Information to be Provided in Annual ClimateSmart Reports | Section of Annual Report |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| 1 | A description of the general terms (e.g., seller, project, duration, etc.) of each executed GHG emission reduction contract (contract) stating whether the contract has either expired and its terms have been fulfilled or the contract is in effect. | 1, 2, 2(a), 2(b), 2(c), 2(d), 2(e), 2(f) |
| 2 | By contract, the total amount of GHG emission reductions contracted for and the amount of GHG emission reductions to be delivered each year. | 2(a), 2(b), 2(c), 2(d), 2(e), 2(f) |
| 3 | By contract, the amount of GHG emission reductions delivered each year. | 2(a), 2(b), 2(c), 2(d), 2(e), 2(f) |
| 4 | Total amount of GHG emission reductions contracted for and delivered since the ClimateSmart program began. | 1(c), 2 |
| 5 | Amount of GHG emission reductions delivered in comparison to the 1.5 million short ton CO ₂ e emission reduction performance guarantee adopted in D.06-12-032. PG&E is to note in the appropriate report when the GHG emission reductions necessary to meet the performance guarantee have been delivered and identify the source of funding used to procure the GHG emission reductions (e.g. ClimateSmart premiums or shareholder funds). | 1(c), 2 |
| 6 | In the event a contract falls out of compliance or is in default, PG&E shall identify the contract and describe the circumstances of the non-performance or default. | 2 |
| 7 | Identify any contracts that have been assigned and the assignee. | 2(a) |
| 8 | Identify any contracts that have been amended, describe the amendment and submit an unredacted copy of the amended contract with the annual report. | 2(a), Appendix A |
| 9 | Include unredacted copies of all GHG emission reduction contracts that were not previously submitted in a prior annual report. | Not applicable – all unredacted contracts from prior years have been submitted. |
| 10 | Amount of interest earned by the Charity on ClimateSmart contributions and the disposition of this interest. | 1(d) |
| 11 | Any issues regarding contract administration that should be brought to the Commission's attention. | 2 |