



Power Generation

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May 10, 2018

Eel-Russian River Commission
501 Low Gap Road, Suite 1010
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Dear Eel-Russian River Commissioners:

During my February 23, 2018 presentation to the Eel-Russian River Commission, I informed you that Pacific Gas and Electric Company (PG&E) was evaluating several options for the Potter Valley Hydroelectric Project. I'm writing to let you know that after very careful consideration, PG&E has decided to put the project up for auction this fall.

This decision to begin the auction process ultimately reflects that continuing to operate the facility is not in the long-term best interests of PG&E's electric customers. However, PG&E fully realizes that the project has key environmental attributes and provides important regional benefits including recreation opportunities and a significant contribution to the Russian River water supply.

With this in mind, as we prepare for the auction PG&E is open to exploring with local, county and/or state governmental entities that have an interest in the continued operation of the project the possibility of transferring it to a local or regional entity as an alternative to the auction. PG&E will assess the progress of such transfer negotiations as they proceed, and based on meaningful progress, will either continue direct negotiations or proceed with the auction.

Participation in the auction will be open to any qualified entity. Qualifications will include being able to meet the Federal Energy Regulatory Commission's (FERC) requirements for a hydroelectric project licensee. We anticipate interest in acquiring the project by electric power interests, water supply interests, potential combinations of these two groups and possibly by others. Transfer of the project will require approval of both the FERC and the California Public Utilities Commission. The entire process could take one-and-a-half to two years to complete.

PG&E plans to continue the ongoing FERC relicensing proceeding throughout the auction process with the expectation that the new project owner will "step into PG&E's shoes" relative to the relicensing once regulatory approval of project transfer has been obtained.

Due to its relatively small electric generation capacity, divesting the Potter Valley Project will not impact PG&E's delivery of safe, clean, affordable and reliable electricity to our customers. The divestiture is expected to have a negligible impact on PG&E's overall portfolio of renewable power.

Throughout the divestiture process, PG&E will continue to operate the Potter Valley Project as a hydroelectric facility in full compliance with our FERC license and all applicable environmental laws and regulations.

Best regards,

A handwritten signature in black ink, appearing to read "David Moller". The signature is fluid and cursive, with the first name "David" and last name "Moller" clearly distinguishable.

David Moller
Director, Power Generation