

OFFICE OF THE MAYOR  
SAN FRANCISCO



OFFICE OF THE CITY ATTORNEY  
SAN FRANCISCO

LONDON N. BREED  
MAYOR

DENNIS J. HERRERA  
CITY ATTORNEY

August 14, 2020

William L. Smith  
Interim Chief Executive Officer  
PG&E Corporation  
77 Beale Street, P.O. Box 770000  
San Francisco, CA 94177

Michael A. Lewis  
Interim President  
Pacific Gas and Electric Company  
77 Beale Street, P.O. Box 770000  
San Francisco, CA 94177

Re: San Francisco's Continued Interest in the Acquisition of Electric  
Distribution and Transmission Assets

Dear Messrs. Smith and Lewis:

Now that Pacific Gas and Electric Company ("PG&E") and PG&E Corporation (collectively, with PG&E, the "Company"), have emerged from bankruptcy, the City and County of San Francisco (the "City") wishes to reaffirm its commitment to pursuing acquisition of PG&E's electric distribution and transmission assets needed to provide electric distribution service to customers in San Francisco (the "Proposed Transaction"). We remain convinced that the Proposed Transaction would be beneficial to the Company, its shareholders, and other stakeholders, including PG&E's customers, and wish to establish a process for discussing the Proposed Transaction with you.

We understand that the accelerated schedule and other reservations about the Proposed Transaction resulted in the Company declining to engage with the City last year. With the Company having completed that process, we believe this is an opportune time to engage in a dialogue regarding a Proposed Transaction. We have previously provided our views regarding the potential benefits of the Proposed Transaction, and sought to address PG&E's expressed reservations in our three letters to the Company delivered in September and November 2019. We welcome the opportunity to discuss these views and the work we have done around these issues in support of implementing the Proposed Transaction.

While we understand that the Company previously expressed reluctance to sell these assets, there are sound reasons now to reconsider that approach. A cooperatively negotiated transaction would provide the best path forward for the City to acquire PG&E's assets needed to provide distribution service throughout San Francisco and would financially benefit the Company and its stakeholders. The Proposed Transaction would provide good value for the Company's shareholders and its remaining ratepayers, as explained in prior letters. In addition to financial benefits, transferring to the City the responsibility for maintaining and improving the system in San Francisco would free PG&E to focus more attention and capital on the balance of its system.

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City officials remain united in their support of the Proposed Transaction, for all the reasons identified in our prior letters, which are as true today as they were then. Earlier this year, both the San Francisco Board of Supervisors and the San Francisco Public Utilities Commission adopted resolutions conditionally approving the issuance of revenue bonds for this purpose.<sup>1</sup> The City's ability to finance an acquisition is not limited by current budget challenges because those bonds would be repaid from the revenue earned by providing electric service throughout San Francisco, not from City funds needed to provide other services. The City's analysis shows that it can provide safe, reliable, and cost-effective service to all customers in San Francisco. The current arrangement, where PG&E and the City share service obligations to customers within San Francisco, has become increasingly untenable, particularly for service to the customers of Hetch Hetchy Power, the City's municipal utility. Electric service to essential facilities like schools, homeless shelters, and affordable housing has been burdened with disputes that delay service and increase costs. The Proposed Transaction would allow PG&E and the City to move on from these disputes.

While the City has performed extensive analysis of PG&E's system based on information available to it, the City wishes to have the Company's engagement and access to additional information regarding the assets for the City to complete its analysis. We hope the Company will explore the Proposed Transaction with the City now that it has emerged from bankruptcy. We firmly believe that a mutually beneficial transaction can be achieved and would be approved by regulators.

Please reach out to Sean Elsbernd (415-554-6603), Chief of Staff to Mayor Breed, or to the following contacts at Jefferies LLC, the City's buy-side financial advisor: Scott Beicke (212-336-7479), Americas Co-Head of Power, Utilities and Infrastructure, or Simon Wirecki (310-575-5251), Western Regional Head for Municipal Finance, with any questions. We look forward to hearing from you and would appreciate a response by **September 1, 2020**.

Very truly yours,



London N. Breed  
Mayor



Dennis J. Herrera  
City Attorney

cc: All members Board of Supervisors  
All SFPUC Commissioners  
Harlan L. Kelly Jr., SFPUC General Manager  
Ben Rosenfield, City Controller  
Scott Beicke, Jefferies Americas Co-Head of Power, Utilities and Infrastructure  
Simon Wirecki, Jefferies Western Regional Head for Municipal Finance  
John R. Simon, PG&E Executive Vice President, Law, Strategy & Policy  
Janet Loduca, PG&E Senior Vice President and General Counsel

This letter represents a general statement of the City's interest in the Proposed Transaction and does not create any legally binding obligations on the City or any of its officials, representatives, agencies, political subdivisions, affiliates or their respective advisors. Unless and until the parties have, among other things, completed

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<sup>1</sup> See Board Resolution No. 30-20 and PUC Resolution No. 20-0011.

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comprehensive due diligence, negotiated definitive transaction documentation for the Proposed Transaction, obtained necessary internal approvals and executed definitive transaction documentation for the Proposed Transaction, neither the City nor the Company shall be under any legal obligation of any kind whatsoever as to the Proposed Transaction by virtue of this letter. The City does not commit to any definite course of action as to the Proposed Transaction prior to completing any required California Environmental Quality Act compliance.