PG&E Corporation

William D. Johnson
Chief Executive Officer and President

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San Francisco, CA 94105

October 7, 2019

Via E-mail and U.S. Mail

Mayor London Breed and Mr. Dennis Herrera
1 Dr. Carlton B. Good Place
San Francisco, CA 94102-4681

Re: City and County of San Francisco Offer to Acquire Certain PG&E Retail Electric Facilities

Dear Mayor Breed and Mr. Herrera:

Thank you for your time and the constructive discussion on September 26 in the Mayor's offices.

As we noted at that time, we had received your letters of September 6 and September 19, 2019, expressing the City of San Francisco's interest in purchasing certain PG&E electric facilities. We reviewed your letters and considered your offer carefully and in detail. Although we appreciate the effort San Francisco undertook to prepare its offer, we must decline to accept it. As I indicated when we met, our San Francisco-based facilities are not for sale and to do so would not be consistent with our charter to operate or our mission to serve Northern and Central California communities.

As we understand it, San Francisco proposes an acquisition of PG&E facilities that would include these key terms:

1) PG&E would sell the identified facilities for $2.5 billion which would not include any debt or liabilities associated with those facilities;

2) San Francisco would acquire substantially all of PG&E's distribution assets, 230/115 kV transformers and 115 kV transmission lines within the City limits and certain other assets that San Francisco determines are needed (as described in Attachment B to your letter);

3) San Francisco would negotiate payment of a lump sum "buy-down" payment associated with non-bypassable charge obligations that would be owed by the City's customers, subject to the approval of the California Public Utilities

Our evaluation of your proposal determined that a sale of our facilities in San Francisco could negatively impact PG&E's customers, both inside and outside of the city.

Our reasoning is as follows:

- San Francisco's offer reflects an amount significantly below the fair-market value of the underlying PG&E assets.
- It would unnecessarily and unfairly pass a large amount of costs to remaining PG&E customers throughout the State.
- It is not in the best interest of our customers. We disagree with the suggestion that PG&E's San Francisco customers would be better served by another entity. Our San Francisco customers—and our customers in the rest of our service territory—rely upon us every day to deliver safe, reliable, affordable and clean power.
- Finally, the offer appears to significantly underestimate the substantial separation and impairment costs that the City would have to bear as part of the proposed transaction.

In addition, our financing strategy to emerge from bankruptcy does not envision selling off Company assets. We believe we can fairly resolve and fund all claims and other items through conventional financial markets. If we ever do consider such sales, we have a duty to obtain the highest and best value for these assets.

Although we cannot accept your offer, we want to clearly communicate that PG&E intends to continue working with the City to best serve the citizens and businesses of San Francisco. Our company has been headquartered here in San Francisco for nearly 115 years, and we remain deeply invested in the community and in the future of this great city. We share many of the Administration's goals for San Francisco and look forward to continuing to find ways we can work together.

Sincerely,

William D. Johnson
Chief Executive Officer and President

PG&E Corporation

cc: (*via electronic mail only*)
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
Jason Wells, PG&E Corporation, Chief Financial Officer
Janet Loduca, PG&E Corporation, Senior Vice President and General Counsel