



TUOLUMNE UTILITIES DISTRICT

Board of Directors

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June 6, 2022

Mr. Michael Schonherr
PG&E, Power Generation
245 Market Street
PO Box 770000
San Francisco, CA 94177
mike.schonherr@pge.com

Re: Reaffirmed and Restated Proposal to Purchase the Phoenix Hydroelectric Project

Dear Mr. Schonherr:

The purpose of this letter is to reaffirm that Tuolumne Utilities District (“TUD”) remains committed to the terms for purchase of the assets associated with the Phoenix hydroelectric generation project (Federal Energy Regulatory Commission, or “FERC,” Project No. 1061), along with the Strawberry Development, a portion of FERC Project No. 2130, including Pinecrest Lake, Strawberry Dam, and related facilities (“Assets”) that are owned by Pacific Gas and Electric Company (“PG&E”). The Tuolumne County Board of Supervisors and the City Council of the City of Sonora both wholeheartedly support TUD in this regard and have signed this letter to show their support for the transfer of these facilities to TUD.

Since these discussions began in 2016, TUD has been diligently engaged with PG&E to discuss and implement the purchase of these assets. Both PG&E and TUD have invested substantial resources in pursuing this transaction, which is reflected in the numerous meetings covering the details associated with such a complex transfer. These meetings have resulted in great progress. The parties had worked on various public outreach, including to TUD ratepayers and PG&E employees, and to local government agencies including Tuolumne County and City of Sonora, the two local Federally-Recognized Tribes and the US Forest Service. TUD has undertaken a Prop 218 rate analysis and was preparing to proceed with a rate increase to fund Project operations as of early September of this year.

From the onset of discussions, the interests of TUD and PG&E were quite different but highly complementary. As you are well aware, the Phoenix Project, coupled with the storage volume at Pinecrest Lake and the water rights associated with both Phoenix and Pinecrest supply on the order of 97% of the water for TUD’s customers. Clearly these facilities are vital water storage, conveyance and delivery infrastructure for TUD. Conversely, the 2 MW peak and 10 GW or so of annual renewable energy generation of the Phoenix Project is useful, but a tiny fraction of the more than 18,000 MW of renewables online in California at the time of writing this letter, or the 120,000 MW of new renewable resources that California grid operators are calling for in the next 20 years. A transfer of ownership and responsibility for

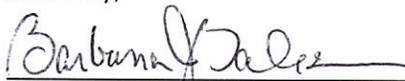
the Phoenix Project, Pinecrest Reservoir, and associated rights and permits would be very much in the interest of both TUD and PG&E's ratepayers, by:

- Ensuring local ownership and control of the vital water supply infrastructure by the primary water supplier of Tuolumne County;
- Giving TUD direct input at the State Water Resources Control Board on matters concerning the water rights for TUD's water supply;
- Allowing TUD to pursue water efficiency and reliability upgrades that are not currently in PG&E's planning for operating and maintaining these facilities as a generating asset; and
- Relieving PG&E's ratepayers of an inefficient cost of generation for power produced from these facilities. Instead, TUD would offer to sell the electrical generation from the facilities back to PG&E under a long-term contract at current market rates (for example, using PG&E's own ReMAT Feed-In Tariff).

The signing parties understand that PG&E is undertaking a generation portfolio-wide re-assessment of strategic opportunities and options, and respects that this Phoenix/Pinecrest transaction is a very small component of the overall generation portfolio. However, we are hopeful that the portion of the review that would include these particular assets could be completed quickly, and TUD and PG&E can continue work on this acquisition. In this respect, we encourage PG&E to consider renewing the non-disclosure agreement with TUD. This document would not prejudice PG&E's internal review or bind PG&E to any particular action and would provide TUD with some recognition that reflects the significant effort and costs that TUD has incurred in this transaction. If the review is completed quickly, and this document is renewed and in effect, then this would go a long way toward preserving the momentum and support we have laboriously developed among community leaders all around Tuolumne County.

TUD looks forward to continuing to work with PG&E on this mutually beneficial transaction.

Sincerely,



Barbara Balen, President
Tuolumne Utilities District



Daniel Anaiah Kirk, Chair
Tuolumne County Board of Supervisors



Mark Plummer, Mayor
City of Sonora City Council

CC: Patty Poppe, CEO
Jason Glickman, Executive VP Engineering, Planning & Strategy
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