

open market). Regrettably, continued declining energy markets, potential increased costs associated with anticipated new license conditions, and challenging financial circumstances have caused PG&E to conclude that it cannot justify further expenditures to its ratepayers associated with the Project.

PG&E anticipates the Commission will institute its "orphan project" process codified as 18 C.F.R. § 16.25 to solicit license applications for Potter Valley from other entities. PG&E supports such action and understands that it would be responsible for surrendering the existing Potter Valley license if no other entity seeks and obtains a new license for the Project.

PG&E recognizes the value of Potter Valley to local communities because it provides for protection of important environmental resources, consumptive water uses, public recreation, and other economic values. Accordingly, PG&E is committed to working with stakeholders to ensure these values are appropriately considered if PG&E is required to file a surrender application.

DATED: January 25, 2019

Respectfully submitted,

PACIFIC GAS AND ELECTRIC COMPANY

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