

Dear Kilarc-Cow Creek Project Decommissioning Stakeholders:

The Kilarc-Cow Creek Hydroelectric Project (Project) site visit was held on June 13th and 14th, and approximately 15 to 20 stakeholders participated each day. For those of you able to attend, we thank you for your participation. The site visits provided a valuable opportunity to further discuss the decommissioning process and license surrender.

As a result of discussions during the public meetings and site visit, PG&E has begun to develop a preliminary proposed decommissioning plan for the Project. This preliminary plan will take several weeks to develop and will incorporate the information gathered to this point. PG&E anticipates presenting the preliminary proposed decommissioning plan at the public meeting scheduled for September 12th and 13th. At this meeting, PG&E will provide stakeholders with an opportunity to discuss the preliminary plan. Again, this will be the preliminary plan, and PG&E will be working with the stakeholders at the September meeting and at future meetings to develop the final decommissioning plan. PG&E will send out notification prior to the September meeting detailing meeting logistics. PG&E does not anticipate holding additional public meetings prior to September.

In addition, as discussed at the public meetings, decommissioning the Project will result in PG&E's ceasing the diversion of water from the streams to the Kilarc and Cow Creek powerhouses. Consequently, water will remain in the streams and no longer flow through Project conveyances. PG&E is committed to ensuring that water rights held by others are preserved to the extent provided by law and to working in good faith with individuals to resolve potential water rights issues.

By this letter, PG&E seeks information regarding potential water rights issues stemming from the decommissioning. If you believe that you hold water rights that could be adversely impacted by PG&E's ceasing to divert water to the and Kilarc and Cow Creek powerhouses, please complete and return the enclosed stamped postcard to PG&E by **July 13, 2007**. PG&E will contact those individuals that return postcards to discuss the issues of concern.