



August 19, 2008

Dear Kilarc-Cow Creek Project Decommissioning Stakeholder,

This letter is to update you on the status of Pacific Gas and Electric Company's (PG&E) work on preparing a Draft License Surrender Application (DLSA) for the Kilarc-Cow Creek Project, FERC No. 606 (Project). A CD with the DLSA will be mailed to you shortly after Labor Day. The DLSA will present a discussion of the affected environment, an evaluation of the impacts of decommissioning, and PG&E's proposed protection, mitigation and enhancement measures to offset project effects.

To facilitate review and comment, PG&E will present the DLSA to at two public meetings. CDs of the DLSA also will be posted on the Project website (<http://www.kilarccowcreek.com>) and will be made available at the public meetings. The meetings are scheduled as follows:

Tuesday, September 9, 2008, at 7:00 PM, at Millville Grange, 22037 Old Highway 44, Palo Cedro, CA 96073

Wednesday, September 10, 2008, at 9:30 AM, Holiday Inn (Appaloosa Room), 1900 Hilltop Drive, Redding, CA 96002

A 60-day public review period on the DLSA will open with the first meeting. Comments should be submitted by November 8th, 2008 and mailed to:

Pacific Gas and Electric Company c/o Darcy Kremin, ENTRIX, 2300 Clayton Road, Suite 200, Concord, CA 94520.

Comments can also be sent by email to comments@kilarc-cowcreek.com

PG&E will prepare responses to comments received and will incorporate them into the License Surrender Application, which will be filed with the Federal Energy Regulatory Commission (FERC) in March 2009. After filing, FERC will request any additional information it feels is needed to evaluate the application and initiate a NEPA of the proposed decommissioning action.

PG&E looks forward to your participation in the decommissioning process and welcomes your comments.