BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Petition of the City and County of San Francisco for a Valuation of Certain Pacific Gas & Electric Company Property Pursuant to Public Utilities Code Sections 1401-1421.	P.21-07-012

THE CITY AND COUNTY OF SAN FRANCISCO'S REPLY IN SUPPORT OF ITS MOTION FOR AN ORDER REQUIRING PACIFIC GAS AND ELECTRIC COMPANY TO OBTAIN COMMISSION AUTHORIZATION UNDER SECTION 851 BEFORE DISPOSING OF SUBSTATION I, AND FOR A PRELIMINARY INJUNCTION PRESERVING THE STATUS QUO PENDING THAT DETERMINATION

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I. INTRODUCTION

Pursuant to Rule 11.1(f) of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the City and County of San Francisco ("City") respectfully submits this *Reply in Support of its Motion for an Order Requiring Pacific Gas & Electric Company ("PG&E") to Obtain Commission Authorization Under Section 851 Before Disposing of Substation I, and for a Preliminary Injunction Preserving the Status Quo Pending that Determination* ("Reply"). In a November 4, 2026, email, the Administrative Law Judge authorized the City to file this Reply on or before November 12, 2026.

PG&E does not deny that the Commission has the authority to review its proposed sale of Substation I. But PG&E argues the Commission should decline to exercise its authority. The circumstances of this case provide no basis for the Commission to allow PG&E to evade the oversight required by section 851 as PG&E proposes. As discussed in the City's motion and referenced below, in view of the reliability problems in San Francisco and the repeated fires at Mission Substation, allowing PG&E to dispose of an adjacent substation property with no review is unreasonable and inconsistent with the Commission's obligations under section 851. Granting the City's motion would bring no substantial harm. But if PG&E sells Substation I to a good-

faith purchaser, the sale will be "conclusively presumed" under section 851(d) to be of property that is not necessary or useful, and the Commission will lose any practical ability to review it.[1] PG&E has presented no compelling justification for the Commission to abdicate its authority, especially while PG&E is still "continu[ing] to evaluate" options for improving reliability at Mission Substation.[2] By contrast, the relief the City requests is narrow: PG&E would be barred only from signing a binding agreement to sell,[3] or closing a sale of, Substation I until the Commission determines whether section 851 applies or approves a sale under section 851. The Commission should grant the Motion.

Further, the Commission has several procedural options to review PG&E's proposed transaction, including by requiring PG&E to file an application under 851, including the 851 review in this proceeding, or including the review in a proceeding focused on the reliability problems in San Francisco, something the City has requested several times.[4]

II. PG&E MUST OBTAIN SECTION 851 AUTHORIZATION BEFORE DISPOSING OF SUBSTATION I

PG&E concedes that the Commission has the authority to review whether Substation I is necessary or useful but urges the Commission to decline to exercise that authority here. PG&E's arguments are inconsistent with the statute, with the Commission's practice, and with PG&E's

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[1] Pub. Util. Code § 851(d); *see* Decision ("D.") 06-04-038 at 9 ("Granting approval on a retroactive basis would thwart the purpose of [section] 851.").

[2] Declaration of Satvir Nagra in Support of PG&E Opposition ("Nagra Decl.") ¶ 13; Exponent Inc., SF X (Mission) Substation Outage Event – December 20, 2025 – Direct Cause Evaluation (May 5, 2026), available at https://www.pge.com/assets/pge/docs/newsroom/press-releases/Mission-X-Outage-Event-12202025-DCE.pdf (event caused "an unplanned, sustained outage affecting more than 120,000 customers at its peak").

[3] As discussed in Section III *infra*, PG&E would not be barred from entering a binding agreement contingent on section 851 approval.

[4] *See* Motion, Attachment F, October 8, 2026, Letter from Mayor Daniel Lurie et al. to Commissioner John Reynolds, *Re. Renewed Request for Commission Assistance to Ensure Reliable Electric Service* at 1 (discussing request to consider the outage in both a public investigation and in Rulemaking 24-05-023).

own procedures. The record, including PG&E's own recent testimony, shows that Substation I remains useful, and PG&E's shifting explanations to the contrary do not warrant deference and require review by the Commission.

A. PG&E Concedes that the Commission May Review Whether Substation I Is Necessary or Useful

The Commission can and should determine that the disposition of Substation I requires Commission approval under section 851. Section 851 requires PG&E to receive Commission approval before disposing of any property that is "necessary or useful in the performance of its duties to the public." Under section 851(d), property that is "not necessary or useful in the performance of its duties to the public" does not require such Commission approval.[5] PG&E does not dispute that the Commission has authority to review its management's determination that a particular property falls within the section 851(d) exception. PG&E expressly "acknowledges the Commission's authority in this respect."[6]

But PG&E contends that "the law does not require such review,"[7] and that the Commission should decline to review the proposed sale of Substation I because PG&E has already determined that Substation I is not "necessary or useful" in the performance of its duties to the public. This contention is based on PG&E misreading a single Commission decision to establish a standard that is contrary to law.[8]

Commission precedent confirms not only that the Commission may review a utility's necessary-or-useful determination, but that it does so where the facts warrant. In D.05-12-002—the decision on which PG&E principally relies—the Commission explained that "the issue of

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5 Pub. Util. Code § 851(d).

6 PG&E Opposition at 13.

7 *Id*.

8 Furthermore, as discussed in Section II.B.4, PG&E's own evidence also shows that PG&E cannot meet its own standard.

necessity or usefulness is factual and subject to Commission review."[9] In D.08-10-018, the Commission reiterated that it "retains discretion to review applications for the sale of utility property pursuant to section 851, including sales of assets that water utilities contend are not necessary or useful," and considered the application before it "to determine whether the sale requires Commission authorization."[10] And in the proceeding underlying D.10-07-027, which PG&E also cites, the Commission found "insufficient information in [that] proceeding to substantiate without a doubt that Property 181 was no longer useful," and directed the utility to file a section 851 application—even though that property had been classified as non-utility property since 2001 and was used only in emergencies.[11] The same scrutiny is warranted here, where PG&E's determination is contradicted by its own recent statements and purports to rest on analyses it has not produced.

B. PG&E's "Definitive Plan" Test Is Not the Law

The Commission should reject PG&E's incorrect interpretation of when property disposal should be presented for Commission review. PG&E claims that D.05-12-002 established a rule that a disposition requires Commission approval under section 851 only if the utility has a "definitive plan for a future utility purpose" for the property.[12] That is incorrect for four reasons.

1. PG&E's Test for Section 851 Contradicts Section 851's Text and Legislative Purpose

Any proposed interpretation of section 851 must comport with the test created by the plain language of section 851: whether a property is "necessary or useful" to the provision of its services to the public.

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[9] D.05-12-002 at 18; *see also id.* at 30 (Conclusion of Law 9).
[10] D.08-10-018 at 16.
[11] D.10-07-027 at 2 (describing D.09-11-032 at 46 and Ordering Paragraph 15); *see* PG&E Opposition at 12 n.51.
[12] PG&E Opposition at 2, 11–13.

Section 851(a) is disjunctive, meaning property can qualify if it is "necessary" *or* if it is "useful." Merriam Webster's online dictionary defines "useful" as something "*capable* of being put to use" or "of a valuable or productive kind."[13] "Useful" therefore includes property for which there is no current definitive plan (e.g., property held as a backup in case a utility's primary plan fails). The Commission has read section 851(a) to include such property: "The word 'useful' manifests clear legislative intent for the statute to apply not just to transactions involving property that is necessary for utility service, but for a broader category of transactions involving property that is capable of being used to serve customers."[14] Therefore, PG&E's proposed rule is inconsistent with this statutory language.

Furthermore, PG&E's proposed rule undermines the purpose of section 851, which the Commission has stated is to "ensure that disposition or encumbrance of public utility property does not impair a utility's public service to customers," while determining whether a utility's proposed sale of property "is adverse to the public interest."[15]

PG&E responds that the City's reading would "collapse the distinction between a possible future use and a definitive plan for future use" and "eviscerate" the statutory exception.[16] Not so. The City does not contend that any conceivable future use renders property useful, or that every disposition of former utility property requires a section 851 application. The question is a factual one: whether the property remains "capable of being used to serve customers" in light of the utility's actual planning and circumstances.[17] A utility that applies documented, reasonable criteria and removes property from rate base before selling it retains the

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13 *See* Merriam-Webster Online Dictionary, "useful," available at https://www.merriam-webster.com/dictionary/useful (emphasis added).

14 D.04-03-039 at 47.

15 D.10-07-027 at 3-4 (citing Universal Marine Corporation, 14 CPUC 2d 644, 646 (1984)).

16 PG&E Opposition at 12.

17 D.04-03-039 at 47; D.05-12-002 at 30 (Conclusion of Law 9).

discretion D.05-12-002 describes. PG&E's test goes much further. Because a utility rarely proposes to sell property it has a definitive plan to use, a test that turns solely on the absence of such a plan would be satisfied in nearly every case and would provide no meaningful check on the utility's invocation of the section 851(d) exception. That concern is especially acute here, where PG&E's own forecasts and testimony identified a specific, anticipated use for Substation I.

2. PG&E Misstates the Commission's Reasoning and Conclusions in D.05-12-002

Decision 05-12-002 does not stand for the rule PG&E claims it does. In D.05-12-002, the Commission reproduced the description of a water utility's non-utility property (or NUP) category: property that is "not currently being used for a utility purpose and having no definitive plan for a future utility purpose."[18] PG&E converts this accounting category description into a purported section 851(a) rule.[19] That overreads the Commission's decision by its own terms. The Commission did not affirmatively convert this accounting description into the test of what is "necessary or useful" under section 851(a) in all circumstances. In fact, D.05-12-002 explicitly reserved to the Commission the responsibility of evaluating the necessity and usefulness of property under the specific facts presented: "The Commission should continue to treat the issue of necessity or usefulness as a factual one that the Commission may review at any time."[20]

The record in D.05-12-002 also bears no resemblance to the record here. There, the Commission noted that the utility's Engineering Department reviewed each property individually for present and future utility use—considering factors such as size, location, elevation, and water and soil quality—estimated the cost of rehabilitating sites for utility use, and prepared "a written

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[18] D.05-12-002 at 14.
[19] PG&E Opposition at 11–13.
[20] D.05-12-002 at 30 (Conclusion of Law 9); *see also id.* at 18–19.

memo for each site it determines no longer necessary or useful, explaining the basis of its determination,"[21] and this information was provided to the Commission for review. The utility had put the detailed assessments in the record, and the Office of Ratepayer Advocates had inspected the sites and reviewed the utility's workpapers.[22] Only on *that* record did the Commission decline to require individual section 851 applications.[23] Even then, the Commission stated that "we retain our power to review the reasonableness of decisions by utility management," because "[u]tility property is occasionally retired too early."[24] Decision 05-12-002 thus describes what a reasonable, documented process looks like; it does not hold that a utility may avoid review simply by asserting that it lacks a "definitive plan."

3. Commission Practice Demonstrates the Commission Does Not Use PG&E's Proposed Standard

The Commission's practice further demonstrates that PG&E's test is inapposite, because property held as back-up can be "useful" under section 851. For example, in D.04-03-039 the Commission determined that water rights were a useful insurance to meet "future water supply contingencies" for a water company even though the utility did not anticipate needing them or have a 'definitive plan' for their future use.[25] The Commission faced a related question over the same water rights two years later. Four months *after* D.05-12-002, the Commission conducted a factual analysis of whether the same water utility still needed these water rights as insurance in D.06-04-038, and concluded that it did not, because of intervening replacement procurement.[26] The water was therefore no longer necessary or useful under section 851.[27] Importantly, the

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21 *Id*. at 11–12.
22 *Id*.
23 *Id*. at 17, 20.
24 *Id*. at 20.
25 D.04-03-039 at 46–48.
26 D.06-04-038 at 4-5.
27 *Id*. at 5.

Commission determined that a factual analysis of whether the water rights were "useful" was appropriate under its statutory mandate before it could reach its conclusion. In D-06-04-038, the Commission also reaffirmed that "[t]he purpose of [section] 851 is to enable the Commission to review a proposed encumbrance . . . before it takes place," and that "[g]ranting approval on a retroactive basis" in that case would have "thwart[ed] the purpose of [section] 851."[28]

Additionally, despite PG&E claiming that D.05-12-002 established a commission rule that section 851 review is not required when there is "no definitive plan for a future utility purpose," PG&E did not cite to any other decision that used, applied, or even mentioned that standard.[29]

4. PG&E Does Not Use PG&E's Proposed Standard in Practice

PG&E's policies and actions demonstrate that it *also* does not make section 851 determinations based on the standard it presents here. PG&E provided its Surplus Real Estate Review and Declaration Procedure ("Review Procedure") to support its Opposition.[30] This Review Procedure bears a publication date of May 8, 2026[31]—months after PG&E declared Substation I surplus[32]—and frames the inquiry as whether property "is no longer necessary for company operations," not whether it is necessary or useful in the performance of PG&E's duties to the public.[33] PG&E has not explained how the Review Procedure accounts for section 851 at all.

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28 *Id*. at 9.

29 Although PG&E asserts that the Commission has "repeatedly confirmed" its rule, it cites only D.05-12-002, PG&E Opposition at 2 & n.4, and the City could find no other Commission decision that used the phrase "no definitive plan for a future utility purpose."

30 *See* Declaration of Darin Polsley in Support of PG&E Opposition ("Polsley Decl."), Ex. A.

31 Polsley Decl., Ex. A at 1 (Utility Procedure LAND-6001P-01, Rev. 1, Publication Date 05/08/2026).

32 Polsley Decl., Ex. E at 1 (REAL PROPERTY SURPLUS DECLARATION, San Francisco Substation I, (Dec. 1, 2025).

33 Polsley Decl., Ex. A at 1 (Utility Procedure LAND-6001P-01, Rev. 1).

The Review Procedure also does not reference D.05-12-002.[34] It also does not use the phrases "definitive plan" or "future utility purpose."[35] None of PG&E's letters purporting to show PG&E following this Review Procedure reference D.05-12-002.[36] These letters also do not use the phrases "definitive plan" or "future utility purpose" either.[37] Therefore, the record does not support PG&E's contention that the Commission's review of property disposition turns on whether or not PG&E has a "definitive plan for a future utility purpose."

For the reasons set forth above, the Commission should reject PG&E's assertion that D.05-12-002 imposes a limit on the Commission's review that is not stated in the statute.

C. PG&E's Shifting and Incomplete Explanations for Why Substation I is Not Subject to Section 851 Review Are Unpersuasive and Insufficient

The ultimate question facing the Commission here is whether—given PG&E's history of conflicting statements and refusal to show its work regarding Substation I—the Commission must defer to PG&E's desire to dispose of a property that PG&E only recently told the Commission it holds "for purposes of providing electrical service in the City."[38] The answer, on this record, is no.

1. PG&E Has Long Held that Substation I Is Useful as a Backup to Mission Substation—And Recently Confirmed this October 20, 2026

PG&E repeatedly determined that it should retain Substation I—which it decommissioned around 2000[39]—because it could be used to serve load in the future. In this proceeding, PG&E previously represented that it "planned to bring Substation I back online once

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34 *See* Polsley Decl., Ex. A.
35 *See id*.
36 *See* Polsley Decl., Exs. B–E.
37 *See id*.
38 PG&E Ex. 4-AtchA-155.
39 Polsley Decl. ¶ 3.

the Mission Substation reached capacity,"[40] and described Substation I as for "PG&E planned future electrical use."[41] In testimony PG&E served on October 20, 2026, PG&E described Substation I as "an asset in the City that PG&E holds for purposes of providing electrical service in the City."[42] That testimony further explains that PG&E informed its consultants it "expects to need Substation I to serve San Francisco customers starting in about five years,"[43] and that "[o]nce the Mission Substation runs out of capacity, PG&E plans to use Substation I to serve the remaining load."[44] PG&E's expert understood PG&E's position to be that Substation I was important for the City "to provide the same service that PG&E would provide absent the taking."[45] The witness continued that Substation I's value was as a part of the electrical system, and that as a stand-alone piece of property "its value would largely be a stranded (severance) cost."[46] Its highest and best use, if "as-is improved" would be "the existing use as an operating segment of the larger integrated electrical transmission and distribution utility corridor."[47] To the City's knowledge, PG&E has not withdrawn or corrected this testimony.

2. PG&E's Refusal to Show the Commission its Work Undermines Its Claim

PG&E's explanation for why it has changed its mind is insufficient for the Commission or the City to credit this about-face and justify disposal of this property without Commission review.

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40 Motion, Attachment A, Letter from John B. Major, "Re: Update Regarding Substation I in Petition of the City and County of San Francisco for a Valuation of Certain Pacific Gas & Electric Company Property Pursuant to Public Utilities Code Sections 1401-1421" (Aug. 4, 2026) at 2.

41 Joint Report of the City and County of San Francisco and Pacific Gas and Electric Company Regarding the October 5, 2023, Workshop (Dec. 12, 2023) at 2.

42 PG&E Ex. 4-AtchA-155.

43 *Id*.

44 *Id*.

45 *Id*. at 156.

46 *Id*.

47 *Id*.

PG&E references two analyses it conducted related to Substation I in 2025 and 2026 that examined Mission Substation's capacity limitations and ways to secure additional resilience.[48] However, PG&E did not produce its reports or analyses, so there is no evidence before the Commission indicating that PG&E followed its standard process for considering capacity and resilience concerns at Mission Substation in a report that describes options it considered; the costs, benefits, and risks of those options; and what option (or combination of options) PG&E chose to pursue and why. After receiving PG&E's letter announcing sale of Substation I, the City requested PG&E provide copies of the two assessments that PG&E claimed addressed the usefulness of Substation I.[49] PG&E refused.[50] The City then filed this Motion. In its Opposition, PG&E now references the conclusions of the two analyses it conducted,[51] but still has not produced the actual reports for the Commission's or the City's review. Those reports' conclusions are also contradicted by PG&E's other statements and actions, as discussed below, and they turn on engineering and cost judgments that the Commission should examine rather than accept on faith.

For example, PG&E claims that use of Substation I to address capacity or reliability concerns at Mission Substation "*could* adversely impact available capacity" because of "[redacted]."[52] PG&E's own sales effort is difficult to reconcile with that claim. Mr. Nagra states that "there was no room [redacted] in the underground space" around Mission Substation and Substation I.[53] Yet PG&E has reserved up to 12 MW of capacity from Mission Substation for a buyer of Substation I through a

48 Nagra Decl. ¶¶ 8–10, 15–16.
49 Motion, Attachment B, PG&E Response to Data Request 036-Q004.
50 *Id*.
51 PG&E Opposition at 2-3 (citing Nagra Decl.); Nagra Decl. ¶¶ 7, 14–16.
52 PG&E Opposition at 3 (emphasis added); *see also* Nagra Decl. ¶¶ 15–16.
53 Nagra Decl. ¶ 8; *see also id.* ¶¶ 15–16.

preliminary engineering study,[54] and the property is being marketed as the "only commercially available power-entitled asset of its kind in San Francisco," with "up to 12 megawatts of deliverable electrical power confirmed by PG&E" at 12 kV.[55] PG&E is therefore simultaneously maintaining that underground congestion forecloses installing a new line to bring 12 kV capacity into Substation I for utility service *and* that it can install a new line to deliver 12 MW at 12 kV to the same site for a private buyer.

To be credible, a report on Mission Substation capacity issues would have estimated the cost of the [redacted] PG&E claims would be required to pursue the Substation I option,[56] but PG&E declined to provide the Commission and the City with that actual estimate. It would also have included an analysis of the two properties closer to Mission Substation that PG&E "discussed the possibility of acquiring," whether any expansion of Mission Substation is necessary to provide safe and reliable service, and why PG&E claims that those properties "would be more suitable" for any expansion PG&E determines is necessary.[57] PG&E does not identify those parcels, and it does not claim to own them.[58] PG&E did not provide any information on the environmental review, the consistency with zoning, or permitting that would be required for those parcels, or the associated timing of those processes. Mr. Polsley states only that PG&E "discussed the possibility of acquiring" them in early 2026, and he defers to PG&E's engineers on whether they would be suitable.[59] Nor does PG&E claim to have identified another

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[54] Polsley Decl. ¶ 22.

[55] JLL, Power Bunker – 111–117 8th Street, San Francisco, available at https://invest.jll.com/us/en/listings/industrial-logistics/power-bunker-111-117-8th-street-sf (last visited Nov. 6, 2026).

[56] Nagra Decl. ¶ 16.

[57] Polsley Decl. ¶ 13.

[58] *Id*.

[59] *Id*. In D.06-04-038, by contrast, the Commission found the water rights no longer useful only after the utility had actually secured replacement supplies exceeding its anticipated needs. D.06-04-038 at 4–5, 10.

location for a new substation to serve load growth in this area, where similar underground congestion is not present, although Mr. Nagra describes a new substation at an alternative location as a longer-term alternative.[60]

PG&E also still has not produced any modeling to support its claim that [redacted] [61] nor has it explained how such [redacted] may be avoided for its proposed route for the new 12kV feeder for the new Substation I owner.[62] PG&E's argument that it must sell Substation I quickly to avoid losing a buyer's place in the queue for the scarce capacity remaining at Mission Substation[63] also warrants further Commission evaluation of the proposed sale. Sale of Substation I itself, with a commitment to deliver 12kV to a new customer, would consume a substantial share of scarce capacity remaining at the very substation whose constraints prompted PG&E's earlier plans to use Substation I to serve load in this area when Mission Substation reached capacity.

It is also worth noting that PG&E applies its "definitive plan" test asymmetrically: PG&E deems Substation I not useful because PG&E has no definitive plan to use it. But the alternatives PG&E offers in its place are—if anything—less definite.

In conclusion, for the reasons explained above, the Commission should require review under Section 851 so it may determine whether PG&E has appropriately evaluated the costs and benefits of retaining Substation I to serve future electric needs in this area.[64]

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60 Nagra Decl. ¶ 9.
61 *See id*. ¶ 15.
62 Motion, Attachment C, Preliminary Engineering Study Report, *PG&E Surplus Property – SF Substation I* at 7.
63 Polsley Decl. ¶¶ 22–23.
64 Manho Declaration.

D. The Circumstances of this Proposed Sale Warrant Commission Review

The circumstances of this sale are precisely those in which section 851 review will serve its purpose of protecting the public interest. Substation I is a unique, ratepayer-funded asset adjacent to a substation with serious, unresolved reliability problems. PG&E's explanations for why it is no longer useful have shifted, and PG&E has structured the sale to monetize scarce capacity on its own constrained system.

Substation I was acquired and built to serve customers in San Francisco, and it remains in rate base today. PG&E states that it will reclassify the property as non-utility plant only "[b]efore any sale closes."[65] Ratepayers have therefore paid a return on Substation I, as well as the "costs to maintain it," throughout the decades PG&E has held it.[66] Substation I previously served these ratepayers as a substation in a very congested part of San Francisco's grid. It is less than a block from Mission Substation,[67] and still contains a building "purpose-built for high voltage electrical equipment."[68] PG&E retained Substation I for decades after decommissioning[69] and maintained for years (in this very proceeding) that Substation I was an integral part of its San Francisco system (to be used when Mission Substation reached its capacity).[70]

And there are major concerns about Mission Substation's safety and reliability when serving current and future demand. Mission Substation has a long history of fires and outages.[71] Most recently, in December 2025 Mission Substation suffered a fire that caused an outage

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65 Polsley Decl. ¶ 20.
66 *See* PG&E Opposition at 9.
67 *See* Motion at 14.
68 *Id*. (citing JLL Investor Center, Power Bunker (111-117 8th Street, SF), available at https://invest.jll.com/us/en/listings/industrial-logistics/power-bunker-111-117-8th-street-sf (last visited Nov. 11, 2026).)
69 Polsley Decl. ¶ 3.
70 Motion at 11.
71 *Id*. at 14.

affecting 120,000 customers, resulting in days of lost power for many customers and repeated outages over the following months.[72] Yet PG&E has, over the past eleven months, failed to provide a comprehensive root cause analysis of those events or identified which corrective actions it will take.[73]

PG&E has also refused to produce, for the Commission's or the City's review, the assessments PG&E claims to have conducted into safety, reliability and operational flexibility at the Mission Substation and in San Francisco.[74] These assessments would reveal the costs, benefits, risks, and assumptions PG&E used to evaluate Substation I's usefulness to the grid and any alternate options PG&E considered.

These analyses and reports would also help the Commission reconcile PG&E's conflicting statements and actions. As discussed *supra* in Section III.C, in recent years PG&E has recently changed its position on whether Substation I is useful for resilience and reliability in San Francisco.[75] And despite PG&E's conclusion that there was "no room [redacted] in the underground space around the Mission Substation and Former Substation I," PG&E has sought to add value to Substation I by securing for the buyer a place in the queue in San Francisco for up to 12MW of load at 12kV from Mission substation that it characterizes [redacted].[76]

The way PG&E has structured the sale also raises ratemaking questions that the Commission should address before the property is removed from its jurisdiction. Considering PG&E's marketing material, Substation I's value to a buyer appears to derive not from the land

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72 *Id*. at 14-15.
73 *Id*. at 15.
74 *See* Nagra Decl. at ¶ 13-16.
75 *See also* Motion at 11.
76 *Id*., Attachment C, PES Report, at 2.

or the building necessarily, but from the scarce distribution capacity at Mission Substation that PG&E has reserved for the buyer: capacity on a ratepayer-funded system that PG&E itself describes as constrained.[77]

Under these circumstances, the Commission has an obligation to review the proposed sale. There remain serious unanswered questions regarding PG&E's process and decision-making, which appear to have focused on what is best for PG&E and its shareholders, and not whether the sale is in the public interest.

III. THE COMMISSION SHOULD GRANT AN INJUNCTION TO PRESERVE THE STATUS QUO UNTIL THE COMMISSION AUTHORIZES THE DISPOSITION OF SUBSTATION I OR DETERMINES IT DOES NOT APPLY

The Commission should exercise its authority to keep the *status quo* until it resolves this matter either by approving a disposition under section 851 or determining that section 851 does not apply.

A. The Commission is Likely to Determine that Substation I is Necessary or Useful or to Determine that PG&E Must Produce More Justification for its Contrary Conclusion

Substation I is a former substation site adjacent to Mission Substation, which experienced a major fire and outage in December 2025.[78] PG&E has only recently changed its long-held position that Substation I could serve to assist Mission Substation. Section II explains the legal and factual reasons why the Commission should not defer to PG&E on this determination and should either require approval before sale under section 851(a) or should require additional facts and explanation before determining that the section 851(d) exception applies.

B. The Failure to Grant an Injunction Would Result in Irreparable Harm

Absent an injunction, the harm to the Commission's review authority, and to the City,

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77 *See* Polsley Decl. ¶¶ 22–23; Nagra Decl. ¶¶ 8, 15.

78 Nagra Decl. ¶¶ 3, 13.

would be immediate and irreversible. Section 851(d) provides that any disposition of property by a public utility "shall be conclusively presumed to be of property that is not useful or necessary in the performance of its duties to the public, as to any purchaser . . . dealing with that property in good faith for value."[79] Once PG&E closes a sale to a good-faith buyer, the Commission cannot unwind it, regardless of what review would have shown. The Commission has recognized exactly this problem. In D.06-04-038, it explained that "[g]ranting approval on a retroactive basis would thwart the purpose of [section] 851," and noted that the earlier transaction could not be unwound because the purchaser was protected as a good-faith purchaser.[80]

PG&E responds that these harms rest on the City's "incorrect assertion" that Substation I is necessary or useful, and that if the loss of review were sufficient harm, the Commission would have to require approval before any property sale.[81] Neither point is correct. The harm is not that a sale occurs, but that it would occur before the Commission resolves a genuinely disputed question that PG&E agrees the Commission has authority to decide. An injunction here would not require pre-approval of every sale. It is warranted because the City has made a substantial showing—based largely on the utility's own statements—that the property is useful. Nor is the City's showing speculative. PG&E's own position has shifted repeatedly, including in testimony served less than two weeks before its Opposition.[82] PG&E's customers in the City will bear the consequences of any premature disposition.

The sale would also irreparably harm the City's rights in this proceeding. PG&E contends that the Commission could address any sale through a section 1417 update.[83] But an update

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79 Pub. Util. Code § 851(d).
80 D.06-04-038 at 9.
81 PG&E Opposition at 16.
82 *See* PG&E Ex. 4-AtchA-155.
83 PG&E Opposition at 17–18.

adjusts the valuation to account for changed circumstances; it does not preserve the asset. If Substation I is sold to a third party, it will no longer be PG&E property within the system the City has petitioned the Commission to value, and the City would have to pursue the site, if at all, from a different owner outside the Chapter 8 framework. That is not merely a change in the "procedural means" of acquisition;[84] it is the loss of the valuation procedure the Legislature created for this purpose.

Finally, the City did not delay. After PG&E's August 4, 2026, letter, the City sought to understand the basis for PG&E's determination through discovery, serving data requests on September 4, 2026. After the City granted PG&E an extension on its responses,[85] PG&E refused to provide the requested analyses, objecting that the requests were irrelevant.[86] The City submitted a letter of intent on October 13, 2026 and filed this Motion on October 16, 2026—before PG&E selected a buyer and well before any purchase agreement, which PG&E anticipates signing four to eight weeks after buyer selection.[87] The harm the City seeks to prevent occurs when PG&E signs a binding agreement or closes a sale that is not contingent on section 851 approval, and the City moved well before either event. PG&E cannot fault the City for first seeking information that PG&E then refused to provide.

C. The Balance of the Harms Supports an Injunction

The balance of harms tips towards granting the injunction. PG&E has argued that it will be substantially harmed because it will receive a lower price for the Substation I property if an injunction renders the property riskier to a potential purchaser. But PG&E's own decision to

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84 *Id*. at 18.

85 *Accord.* Attachment B (request dated September 4, 2026, and response dated September 28, 2026).

86 PG&E Opposition at 7; Motion, Attachment B.

87 Polsley Decl. ¶ 19, Ex. G; PG&E Opposition at 7.

proceed without seeking a Commission determination is what created that risk. PG&E could have avoided and reduced any harm simply by seeking Commission approval before seeking to sell Substation I or by informing its potential buyers that Substation I may require Commission approval. Additionally, even assuming PG&E is correct, the requested injunction would not prevent PG&E from continuing to negotiate with bidders or from selecting a buyer. It would bar only signing a binding agreement or closing a sale until the Commission acts. PG&E could also include a condition tying closing to the Commission's determination—a condition of the type the City's own letter of intent included[88]—or re-market the property after the Commission rules. PG&E provided no testimony or evidence showing that it expects property prices in San Francisco to decrease over any relevant future period such that it would get a lower price for Substation I by the time the Commission rules on the section 851 application. PG&E's claimed harms are also speculative on their own terms. PG&E asserts that an injunction "could" deter buyers or reduce the price, and that there is a "chance" Mission Substation will be unable to supply power to the site if the sale is delayed.[89] PG&E offers no evidence of how long a delay would have to be for those risks to materialize, or that any bidder has conditioned its offer on the absence of Commission review.

Further, while PG&E claims it was incurring maintenance costs, it did not demonstrate to the Commission or the City the magnitude of the maintenance costs it is incurring for retaining Substation I. The existence of *some* maintenance costs is not enough to demonstrate that the costs are significant or that balance of harms tips towards PG&E. Furthermore, PG&E's allegation that maintenance was "increasingly burdensome" and "particularly challenging"[90] is

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88 *See* Polsley Decl., Ex. G (listing, among the "Approvals" required, Commission authorization under section 851).

89 PG&E Opposition at 9, 18–19; Polsley Decl. ¶¶ 21, 23.

90 Polsley Decl. ¶ 5.

not a claim that PG&E expects costs to increase in the future.

PG&E's authorities do not change the analysis. PG&E quotes D.90-11-031 for the proposition that the time required to process a section 851 application could hamper a sale in a fast-moving market.[91] But the Commission's answer to that concern has been to process section 851 matters efficiently, not to excuse utilities from section 851 where the statute applies. Even in that case PG&E cited, the Commission granted authority to *sell and lease back* the utility's headquarters in an interim decision under section 851, with later reasonableness review available to further assess the transaction where *the utility bore the risk*.[92] And the lis pendens cases PG&E cites concern private litigants clouding title to property in which they claim an interest; they do not address the Commission's statutory authority to determine whether a public utility's disposition of property requires approval.[93]

PG&E also notes that the City has not offered to post a bond.[94] No bond is required. Even if Code of Civil Procedure section 529 applied to an injunction issued by the Commission, a city and county is not required to give a bond, including "a bond for issuance of a restraining order or injunction."[95]

Finally, PG&E incorrectly claims that the City has not proactively pursued the property. PG&E states that the City's "only overture towards the purchase" was a non-binding letter of intent that did not include a proposed purchase price.[96] However, PG&E neglected to mention that the City followed up on its letter of intent by sending PG&E's broker an offer price on

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91 PG&E Opposition at 19 (citing D.90-11-031).
92 D.90-11-031 at 11-12.
93 *See* PG&E Opposition at 18–19.
94 *Id*. at 20 n.86.
95 Code Civ. Proc. § 995.220(b).
96 PG&E Opposition at 20.

October 20, 2026 (without prejudice as to the City's rights under Chapter 8).[97]

D. An Injunction Would Further Important Public Policy Goals

PG&E's argument that an injunction would harm public policy rests almost entirely on its argument that the Commission has no valid interest in reviewing PG&E's determination that section 851 does not apply. But as the Commission has said, the entire point of section 851 is to ensure the Commission has the ability to determine whether a disposition of the property is in the public interest. The Commission has an interest in ensuring its jurisdiction is respected and maintaining the status quo while it reviews PG&E's explanation for its Substation I determination serves that interest. The public interest also favors preserving the status quo in light of the reliability concerns in this area. The December 2025 Mission Substation fire caused an outage affecting more than 120,000 customers,[98] and PG&E acknowledges that it "continues to evaluate" options for improving reliability at Mission Substation.[99] Selling the former substation site adjacent to Mission Substation while that evaluation is ongoing, and before the Commission has reviewed PG&E's analyses, would foreclose an option that cannot be recovered. By contrast, the costs PG&E identifies—security and maintenance of a vacant site—have been borne for years and would continue only for the limited time needed for the Commission to act. Any burden on Commission resources would likewise be limited to reviewing analyses PG&E says it has already performed.

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[97] Declaration of Joshua M. Keene in Support of the City and County of San Francisco's Reply in Support of its Motion for an Order Requiring Pacific Gas and Electric Company to Obtain Commission Authorization Under Section 851 Before Disposing of Substation I, and for a Preliminary Injunction Preserving the Status Quo Pending that Determination (Nov. 12, 2026), ¶ 5; *id.* at Exhibit A.

[98] Exponent Inc., SF X (Mission) Substation Outage Event – December 20, 2025 – Direct Cause Evaluation (May 5, 2026), available at https://www.pge.com/assets/pge/docs/newsroom/press-releases/Mission-X-Outage-Event-12202025-DCE.pdf (event caused "an unplanned, sustained outage affecting more than 120,000 customers at its peak").

[99] Nagra Decl. ¶ 13.

IV. THE MOTION IS WITHIN THE SCOPE OF THIS PROCEEDING

PG&E argues that the Motion is outside the scope of this valuation proceeding.[100] It is not. Substation I is one of the assets the City has petitioned the Commission to value; it is identified as Property 33, and PG&E's own testimony addresses its value.[101] PG&E itself raised the sale of Substation I in this proceeding: its August 4, 2026 letter, captioned in this proceeding addressed Substation I, its role in serving San Francisco's grid, and PG&E's statements regarding Substation I in this proceeding.[102] The City added Substation I to its asset list in this proceeding after PG&E described its plans for future use.[103] PG&E is proposing to deny the City the procedural rights granted to it by Chapter 8 of the Public Utilities Act with regards to Substation I.[104] PG&E has identified no other open application or petition in which the City could raise for the Commission's attention the issue of PG&E removing Substation I from the Commission's jurisdiction.

Even if the Commission determines that the ultimate review of Substation I's proposed sale is not best addressed in this proceeding, the Commission has several procedural options to review PG&E's proposed transaction. For example, the Commission could order PG&E to file an application under 851 or include the review in a proceeding focused on the reliability problems in San Francisco.[105]

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100 PG&E Opposition at 8–9.

101 Ex. CCSF-003C (Runde), App'x II at 50; PG&E Ex. 4-AtchA-155–156; *see* PG&E Opposition at 7 n.26.

102 Motion, Attachment A; *see* PG&E Opposition at 6.

103 PG&E's Comments on Administrative Law Judge's Ruling Requesting Comments and Responses (P.21-07-012) (Feb. 24, 2025) at 7.

104 *See* Motion at 15-16.

105 *See id*., Attachment F, October 8, 2026, Letter from Mayor Daniel Lurie et al. to Commissioner John Reynolds, *Re. Renewed Request for Commission Assistance to Ensure Reliable Electric Service* at 1 (discussing request to consider the outage in both a public investigation and in Rulemaking 24-05-023).

V. CONCLUSION

For the reasons discussed herein, the City respectfully requests that the Commission: (1) determine that PG&E may not sell or otherwise dispose of Substation I without first obtaining Commission authorization under section 851; or, alternatively, if the Commission finds that the current record does not permit it to decide that question, order PG&E to file and serve a factual showing supporting its claim that Substation I is not necessary or useful, with the City permitted to respond; and (2) in either case, preliminarily enjoin PG&E from signing a binding agreement to sell, or closing any sale or other disposition of, Substation I (that is not contingent on Commission approval) until the Commission authorizes the disposition or determines that section 851 does not apply.

Respectfully submitted,

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By: */s/ Theresa Mueller*
THERESA MUELLER

Attorneys For Petitioner
CITY AND COUNTY OF SAN FRANCISCO

Dated: November 12, 2026

ATTACHMENT A

Declaration of Joshua Keene

Docusign Envelope ID: A1A73F74-C0D8-853C-83DB-2652E705D0FE

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Petition of the City and County of San Francisco for a Valuation of Certain Pacific Gas & Electric Company Property Pursuant to Public Utilities Code Sections 1401-1421.	P.21-07-012

DECLARATION OF JOSHUA M. KEENE IN SUPPORT OF THE CITY AND COUNTY OF SAN FRANCISCO'S REPLY IN SUPPORT OF ITS MOTION FOR AN ORDER REQUIRING PACIFIC GAS AND ELECTRIC COMPANY TO OBTAIN COMMISSION AUTHORIZATION UNDER SECTION 851 BEFORE DISPOSING OF SUBSTATION I, AND FOR A PRELIMINARY INJUNCTION PRESERVING THE STATUS QUO PENDING THAT DETERMINATION

Dated: November 12, 2026

Docusign Envelope ID: A1A73F74-C0D8-853C-83DB-2652E705D0FE

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1. I, Joshua M. Keene, make this declaration in support of the City and County of San Francisco's (City) *Reply in Support of its Motion for an Order Requiring Pacific Gas and Electric Company (PG&E) to Obtain Commission Authorization Under Section 851 Before Disposing of Substation I, and for a Preliminary Injunction Preserving the Status Quo Pending that Determination.*

2. I am the Assistant Real Estate Director at the San Francisco Public Utilities Commission (SFPUC). In my role at the SFPUC I am empowered through the SFPUC Real Estate Director and subject to approval by the SFPUC General Manager's Office, to negotiate non-binding agreements regarding real estate acquisitions on behalf of the SFPUC

3. On October 13, 2026, in my official capacity, I transmitted a letter of intent to purchase the property and improvements at 111-117 Eighth Street in San Francisco (otherwise known as the Substation I property) to PG&E through its agents at Jones Lang LaSalle.

4. A true and complete copy of that October 13, 2026, letter is reproduced as Exhibit G to the November 2, 2026, Declaration of Darin Polsley in Support of PG&E's *Opposition to the City and County of San Francisco's Motion for an Order Requiring Pacific Gas and Electric*

Docusign Envelope ID: A1A73F74-C0D8-853C-83DB-2652E705D0FE

Company (PG&E) to Obtain Commission Authorization Under Section 851 Before Disposing of Substation I, and for a Preliminary Injunction Preserving the Status Quo Pending that Determination.

5. On October 20, 2026, in my official capacity, I transmitted an updated letter of intent to purchase the property and improvements at 111-117 8th Street in San Francisco (otherwise known as the Substation I property) to PG&E through its agents at Jones Lang LaSalle.

6. A true and complete copy of that October 20, 2026, letter is reproduced as Exhibit A to this declaration.

7. Later on the day of October 20, 2026, I received an email back from PG&E's agent at Jones Lang LaSalle, stating that he would send the offer letter to PG&E.

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on November 12, 2026, at San Francisco, California.

Signed by:
Josh Keene
DDC4DC96668749C...

Joshua M. Keene

San Francisco Water Power Sewer
Services of the San Francisco Public Utilities Commission

525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
T 415.554.3155
F 415.554.3161
TTY 415.554.3488

October 20, 2026

Via Email to erik.hanson@jll.com, brendan.bury@jllcom and tasman.lynch@jll.com

Pacific Gas and Electric Company
c/o Jones Lang LaSalle
Attention: Erik Hanson, Senior Director
Brendan Bury, Analyst
Tasman Lynch, Analyst

Re: Letter of intent to purchase the property and improvements at 111- 117 8th Street in San Francisco

Dear All:

The purpose of this letter ("**Letter of Intent**") is to propose nonbinding terms for the purchase of the below-described real property and improvements by the City and County of San Francisco ("**City**" or "**Buyer**"), through its Public Utilities Commission ("**SFPUC**"), from Pacific Gas and Electric Company ("**Seller**"). Seller and Buyer are together referred to as the "**Parties.**" City proposes the following terms and conditions:

1. **Seller.** Pacific Gas and Electric Company, a California corporation.

2. **City or Buyer.** The City and County of San Francisco, through its Public Utilities Commission.

3. **Execution Date.** The date the mutual execution and delivery by the Parties of this Letter of Intent is completed ("**Execution Date**").

4. **Property.** The real property and improvements located at 111- 117 8th Street in San Francisco ("**Property**"). The Property includes an approximately 21,062 square-foot decommissioned substation building ("**Building**.").

5. **Power Improvements.** Seller is currently in the process of upgrading the Property's electrical infrastructure to deliver 12 megawatts of power at 12kv. The upgraded infrastructure and associated equipment are collectively defined as the "**Power Improvements.**"

6. **Purchase Price.** City will purchase the Property for [redacted] ("**Purchase Price**"). The Purchase Price will be supported by an MAI appraisal prepared by an independent appraiser and will be subject to approval by the SFPUC Commission and the City's Board of Supervisors, as well as any

Daniel Lurie Mayor
Stephen E. Leveroni President
Kate H. Stacy Vice President
Joshua Arce Commissioner
Avni Jamdar Commissioner
Meghan Thurlow Commissioner
Dennis J. Herrera General Manager

Seller-required authorities, including but not limited to the California Public Utilities Commission, each in its sole and absolute discretion (collectively, the "**Approvals**"). The Purchase Price is subject to adjustment as will be provided in the terms and conditions of a written purchase and sale agreement between Seller and City ("**Purchase Agreement**"). City shall pay the Purchase Price in cash, through escrow, at closing.

7. **Conditions to Title.** Seller represents that there are no adverse conditions to the Property's title that materially would impact the usability or fair market value of the Property. If any material, adverse title exceptions exist, the Parties acknowledge the Purchase Price may be reexamined. Seller shall provide a current and complete title report from the Title Company (defined below) to City no later than fifteen (15) days after City's opening of escrow.

8. **Purchase Agreement.** City shall endeavor to deliver a draft Purchase Agreement within thirty (30) days following the Execution Date, and the Parties shall endeavor to finalize a Purchase Agreement within forty-five (45) days following the Execution Date. The Purchase Agreement will be subject to approval by the SFPUC's Commission and, if required by law, the City's Board of Supervisors and Mayor, each at their respective sole and absolute discretion.

9. **Escrow.** City shall open an escrow for the purchase and sale of the Property at Fidelity National Title Group, National Commercial Services ("**Title Company**"), 44 Montgomery Street, Suite 1650, San Francisco, California, 94104, Attention: Mary Pat Noeker, within ten (10) business days after the Execution Date.

10. **Due Diligence Period and Contingency Waiver Date.** Assuming this Letter of Intent has not otherwise been rescinded by Seller or Buyer for any reason, on the date that is ninety (90) days following the Execution Date ("**Contingency Waiver Date**"), City will waive and remove all of City's Closing Contingencies (defined in Paragraph 12 below), subject only to any exceptions listed in Paragraph 12 and the Approvals. The Approvals will remain as an outstanding contingency until the Approvals Date (each as defined below in Paragraph 20). The 90-day period between the Execution Date and the Contingency Waiver Date is referred to herein as the "**Due Diligence Period**".

11. **Due Diligence Documents and Access by City.** Not less than ten (10) business days after the Execution Date, Seller shall deliver to City as-built plans for the Building, including mechanical and electrical drawings in a form acceptable to the City, plus any appraisals, environmental reports, seismic studies, structural studies, surveys, floor plans, property condition assessments and other Building reports, and any leases, permits or other agreements related to the Property, for City's review and approval. City and its agents shall have reasonable access to the Property during the Due Diligence Period and again after the Approvals Date, but before the Closing Date, to conduct their own investigations.

12. **Conditions to Closing.** City's obligation to purchase the Property will be contingent upon the following conditions (collectively, "**City's Closing Contingencies**"), which will be considered waived on the City's Contingency Waiver Date, except to the extent otherwise noted below:

a. **Title.** City's review and approval of a preliminary title report, together with copies of all exceptions.

   City will later approve an updated title report and exceptions from the Title Company after the Contingency Waiver Date, but before the Closing Date.

b. **Title Insurance**. City will have received and reviewed an ALTA policy, or, if necessary, a CLTA policy, to be issued by the Title Company.

c. **Appraisal.** City's procurement of an MAI appraisal, at City's sole cost. If applicable, City may elect to rely upon Seller's appraisal, with Seller's permission.

d. **General Plan Referral.** City's procurement of a General Plan Referral from the San Francisco Planning Department, at City's sole cost.

e. **Physical Condition of the Property.** City's review and approval of the physical condition of the Property and its associated improvements. From and after the Execution Date, Seller will permit City and its agents to have reasonable access to the entirety of the Property to conduct City's own investigations.

   The Property must be vacant prior to Closing, or City may terminate the Purchase Agreement without penalty. In such case, any deposit in escrow will be immediately refunded to City.

f. **Power Improvements**. The Power Improvements will be authorized by all required permits, substantially complete, and operational, and the Property will be energized.

g. **Survey.** City may request Seller to procure any survey that City requires, at City's sole cost, to be reimbursed to Seller through escrow, either at the Closing Date, or earlier in the event of any termination of the Purchase Agreement, except in the event of a default by Seller. This will be further described in the escrow instructions to the Title Company.

h. **Phase 1 Environmental Report.** Seller will procure a Phase 1 Environmental Site Assessment report ("**Phase 1 Report**"), to be reimbursed by City to Seller at the Closing as a credit to the Purchase Price.

i. **Phase 2 Environmental Report.** If necessary, Seller will procure a Phase 2 Environmental Site Assessment report ("**Phase 2 Report**"), to be reimbursed by City to Seller at the Closing as a credit to the Purchase Price.

   Note: If the City determines, in its sole discretion, after reviewing the Phase 1 Report, that a Phase 2 Report is necessary, the City may discuss with Seller extending the Contingency Waiver Date if the Parties reasonably believe procuring such a report will extend beyond the Contingency Waiver Date. Seller will have no obligation to extend the Contingency Waiver Date, and the Parties may otherwise agree to terminate this Letter of Intent or Purchase Agreement.

j. **Hazardous Materials Disclosure.** The Parties will discuss and negotiate any responsibility for remediating any hazardous materials or other adverse conditions identified in the Phase 1 or Phase 2 Reports. Either party may terminate this Letter of Intent or Purchase Agreement with no obligation to remediate or alter the Purchase Price if any remediation conditions are identified.

k. **Approvals.** City's and Seller's receipt of the Approvals.

13. **Seller Representations.** The Purchase Agreement shall set forth Seller's representations and warranties that, to the best of Seller's knowledge **(a)** Seller has good and marketable title to the Property; **(b)** there are no property defects or conditions that would affect City's use of the Property or the fair market value of the Property; **(c)** Seller has no knowledge of any hazardous materials or contamination in, under, or about the Property; **(d)** there is no pending litigation or claim against the Property or Seller with respect to the Property (except Public Utilities Commission Proceeding P.21-07-012); and **(e)** Seller has not received any notification that the Property has violated any applicable local, state, or federal law or regulation.

14. "**As Is with All Faults**" **Sale.** City understands and agrees that Seller is selling, and City is purchasing, the Property on an "AS IS WITH ALL FAULTS" basis.

15. **Commissions.** Seller agrees that City has no obligation to pay any real estate broker's commission regarding this purchase and sale transaction. City will represent itself under this transaction and will not charge any commissions associated with this transaction. Seller shall be solely responsible for any and all real estate sales commissions.

16. **Conduct of Business Before Closing**. Prior to the Closing, the Property will be operated in the ordinary course of business consistent with previous practices.

17. **Closing.** The "**Closing**" shall mean the consummation, through the Title Company, of the purchase and sale of the Property on a business day mutually agreed upon by Seller and City as the "**Closing Date**," but in any event no later than thirty-five (35) days after the Approvals Date. At Closing, Seller shall convey fee simple title to the Property to City by grant deed, subject only to a lien for real property taxes and assessments not yet due and payable for the fiscal tax year in which the Closing Date occurs, and those title exceptions reasonably acceptable to City pursuant to Paragraph 12(a) above.

18. **Costs.** City shall pay for the cost of the premium of a title insurance policy to be issued to City on the Closing Date, together with all escrow and recording fees for the purchase and sale of the Property. Real estate taxes, assessments, and other charges and fees payable by Seller with respect to the Property shall be prorated as of the Closing Date in the usual and customary fashion.

19. **Transfer Tax.** Seller will be responsible for any applicable documentary transfer taxes on the recordation of the grant deed and other customary Seller's closing costs.

20. **Approvals**. The effectiveness of the Purchase Agreement shall be subject to the following conditions. **(a)** City's completion of all environmental/CEQA review and the granting of all approvals as required by applicable law; and **(b)** the approval of the Purchase Agreement by the SFPUC's Commission and, if required by law, the City's Board of Supervisors and Mayor, each at their respective sole and absolute discretion, any approval by the California Public Utilities Commission including authorization under Public Utilities Code section 851, and any other approvals required by law (collectively, the "**Approvals**"). The date the Approvals become effective is the "**Approvals Date**". The City will endeavor to cause the Approvals Date to occur within 90 days of the Contingency Waiver Date.

21. **Exclusive Negotiation Period**. Following the Execution Date, Seller and City will enter into a period of exclusive negotiation for the purchase and sale of the Property and Seller will not enter into any other agreement for the sale of the Property during the exclusive negotiation period.

This Letter of Intent is a statement of the terms upon which the Parties may be interested in pursuing further negotiations concerning the Property and is not intended to be a complete or binding agreement. No binding agreement shall be created between the Parties until a full and final written agreement, containing these and all other terms of the transaction, is prepared, reviewed, and approved by the Parties' respective counsel, if any, and mutually executed and delivered. Notwithstanding the above, the Parties agree that the Title Company shall return any applicable deposit to City upon City's request at any time before City issues written confirmation that the City's Closing Contingencies have been satisfied or waived. Seller will take no action to prevent any such return, and this agreement for the return of any applicable deposit upon City's request, for any reason or no reason, is an enforceable obligation under this Letter of Intent. Each party acknowledges that it has incurred, and will incur, costs and expenses in connection with the proposed transaction described in this Letter of Intent, including, but not limited to, the costs of investigation and assessment of the economic and other merits of the proposed transaction, as well as legal expenses in connection with the preparation of a final and binding Purchase Agreement, all of which costs are incurred at such party's sole cost and risk, and not in reliance upon any act or representations of the other party or its agents. Either party may terminate the negotiations at any time for any reason, or for no reason, without liability or obligation whatsoever. In addition, City and the SFPUC retain the absolute sole discretion, prior to action by their respective governing boards with respect to the proposed transaction, to **(a)** make such modifications deemed necessary to mitigate significant environmental impacts, **(b)** select other feasible alternatives to avoid such impacts, **(c)** balance the benefits against unavoidable significant impacts prior to taking final action if such significant impacts cannot otherwise be avoided, or **(d)** determine not to proceed with the proposed transaction.

If Seller is interested in proceeding to the preparation of a complete and formal agreement encompassing the foregoing general terms and conditions, please execute and return a copy of this Letter of Intent to the undersigned. The terms and conditions offered in this Letter of Intent shall become null and void if not accepted by **5.00 p.m. on Friday, October 30, 2026.**

If you have any questions regarding this matter, please contact the SFPUC Real Estate Director Rosanna Russell at (415) 487-5213 or Assistant Real Estate Director Josh Keene at (415) 554-1522.

Sincerely,

BUYER:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

Dennis Herrera
General Manager
San Francisco Public Utilities Commission

ACCEPTED AND AGREED.

SELLER:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

_____
Its _____

Exhibit A

Equipment for Power Improvements

[Seller to include list of equipment to be included in the sale upon execution of the Letter of Intent]