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**Pacific Gas and  
Electric Company®**

**Humboldt County**  
1106 Second Street  
Eureka, CA 95501-0531

July 27, 2016

**Attention:** Tom Mattson, Public Works Director

**Re.:** Work Credit Loan to the City of San Carlos

Mr. Mattson,

Thank you for your time on the phone last Friday. This letter is a follow up to our conversation regarding the work credit loan agreement between Humboldt County and the City of San Carlos.

Per the Memorandum of Understanding dated December 6, 2013, Humboldt County approved the transfer of 600,000 work credits to the City of San Carlos. The work credits were needed to cover an unanticipated shortfall necessary to complete the City of San Carlos undergrounding district on Old County Road.

The agreement included a reimbursement schedule that required the City of San Carlos to pay down the loan annually with 5% interest. This agreement required yearly transfers of work credits from City of San Carlos to Humboldt County in the amount of 130,000 starting June, 2014 throughout 2019 with the last payment being 50,000. The reimbursement schedule has been adhered to in the years 2014 and 2015 with a total transfer of 260,000 work credits to Humboldt County.

The project on Old County Road has been completed and the final cost has been calculated. Unfortunately the project has overrun the expected cost which has resulted in the City of San Carlos unable to fulfill the terms of the agreed to reimbursement schedule.

The City of San Carlos will therefore make their next repayment of the work credits in year 2020 in the amount of 49,000 and will continue the pay down schedule as agreed, making yearly repayments until the debt has been satisfied, per the agreement.

We sincerely appreciate Humboldt County's generosity in agreeing to defer the repayment schedule to 2020 and we will be advising the City of San Carlos of the new repayment schedule.

Best regards,

Lizette Burtis

Rule 20A Program Liaison